



Association of Bay Area Governments

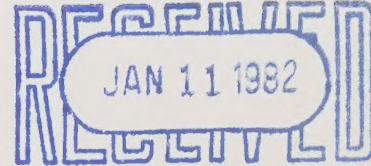
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DT: January 5, 1982

TO: Individuals and Groups Interested in East Bay Development

FM: Gordon Jacoby, Principal Planner

RE: East Bay Study



Enclosed is the second report of ABAG's East Bay Study. The report has been specifically designed to stimulate your discussion and to elicit your suggestions on East Bay development. Your comments will be used in shaping the recommended regional policies that are prepared in the third and final stage of this study.

The report has two complementary sections. The section on "options" was prepared to test the effect of several important factors on the economic development potential of the East Bay: transit accessibility, cost of housing, supply of housing, and "image" considerations. These mathematical tests demonstrate the desirability of the East Bay for job growth. They also indicate where improvements are needed to make the area more attractive.

The second section, on "ideas," lists a number of economic development, local revenue, and housing supply ideas that could be pursued to help East Bay community development. I would like to stress that the purpose of this section is not, at this time, to advocate or recommend the use of any or all of the ideas. Rather, they are presented to help ABAG committees better understand what might be locally acceptable methods for bringing about desired change.

Please consider the ideas suggested in the report and write back to either ABAG or your East Bay City Council/Board of Supervisors indicating your support, modification, or rejection of the various ideas. You are also encouraged to suggest ideas that are not listed in the report. Please do so in the next six weeks. After hearing from you, ABAG's Joint Policy Committee will proceed to the recommendation stage of the study.

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EAST BAY STUDY: Options and Ideas

November 1981

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EAST BAY STUDY:
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SUMMARY AND INTRODUCTION

The purpose of the Options and Ideas report is to further improve the understanding of, and stimulate discussion on, regional development problems and solutions in the East Bay. It is the second in a series of three scheduled reports prepared as part of the ABAG East Bay Subregional Study. The first report presented "Issues and Opportunities" and the third report will recommend regional policies concerning development in this part of the Bay Area.

The "Options and Ideas" report, building from themes that emerged from the first report, has two complementary sections. The "Options" section analyzes the advantages of four development alternatives. The options or alternatives are presented as questions being asked by a business executive who is trying to determine whether to locate either an expanding office or high technology labor force in the Bay Area given some of the development pressures of the 1980's. A clear understanding of whether the East Bay "makes sense" as a future employment location, considering various economic and social pressures, should help business in making their decisions. It should also help local governments determine how the application of various development programs and regulations can alter their attractiveness for job growth.

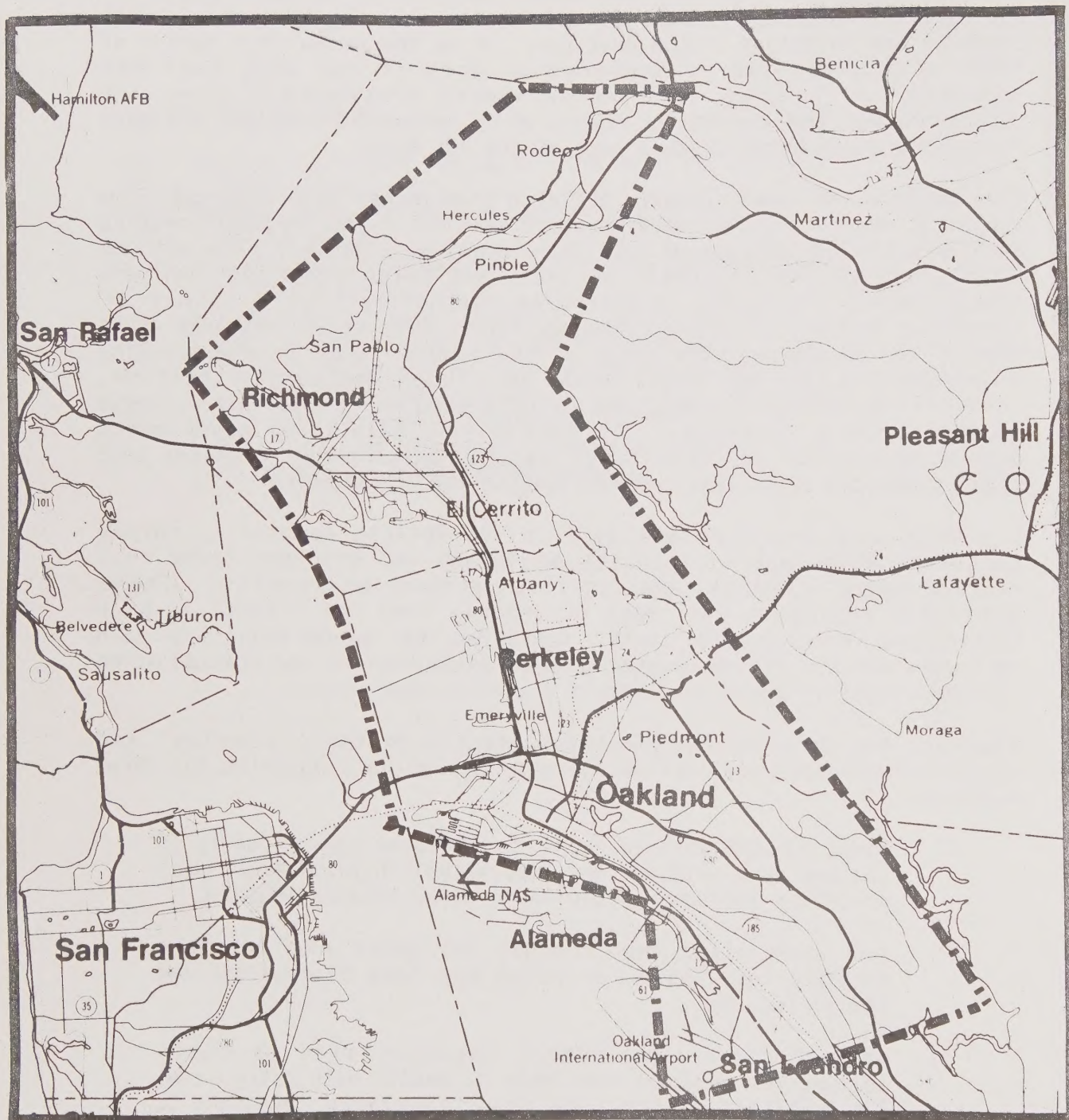
The business decision analyzed in the Options section is solely concerned about where to locate employees who will get lower than average wages--clerical and operative/production workers. These potential employees will most accurately feel the effects of high housing and transportation costs. Companies that depend heavily on such employees are now paying greater attention to housing and transportation considerations in order to maintain a stable labor force.

The East Bay Options analysis concentrates on these clerical and operative categories of office and high technology industries for three reasons:

- 1) these occupations are projected to grow substantially in the Bay Area--112,300 new jobs or one-third of the total projected increase in the labor force between 1980-90,
- 2) the work place requirements for these jobs are more flexible than those for other Bay Area occupations and industries, and
- 3) many of the new employment opportunities in these categories will be available to people with entry level job skills--a factor that is particularly important to East Bay economic development strategies.

The four options analyzed in the first section are:

- 1) Option One -- Transit Emphasis
- 2) Option Two -- Housing Cost Emphasis
- 3) Option Three -- Emphasis on "Image"
- 4) Option Four -- Continued Rate of Home Building



Map One
East Bay Study Area

After evaluating the locational attributes of the East Bay under the different options, the report concludes:

- 1) The availability of regional transit service to many of the East Bay job sites is a strong reason why this area is an optimum location for new employment growth. Tests that placed more emphasis on transit and less emphasis on image resulted in the East Bay being the best location for 19% of the jobs considered in the study.
- 2) The current Bay Area housing prices may be beyond the reach of many of the people working in the office clerical and high tech operative jobs, even when these workers combine their housing budget with that of another household member. Such conditions will likely push this group of workers to bid up the rental market--which can either be seen as a positive situation for apartment builders or a negative sign for current low and moderate-income renters.
- 3) The "image" of the East Bay serves to reduce its job growth potential. Prospective office or manufacturing employers should not overemphasize this "image" problem or they may not see the area's positive characteristics. On the other hand, those people hoping to attract jobs to the East Bay should work aggressively to reduce these negative perceptions.
- 4) The slow rate of housing growth in the East Bay can reduce its ultimate job development potential. Communities concerned with maintaining the area's economic attractiveness need to seek ways to increase their housing stock while still maintaining their social and environmental quality.
- 5) All factors considered together--transit, housing costs, housing supply, and "image"--the East Bay is an optimum site for significant growth in the office and high technology industries considered in the study. The various options indicate that the area could be the best site for between 15-18% of the new clerical and production worker growth of these important Bay Area industries.

After presenting the analyses and conclusions of the four options, the report moves into the "Ideas" subsections. The use of the word "ideas" was chosen to indicate the need and desire to explore a variety of ways that the East Bay can choose to enhance its position as a location for the employment growth considered in the Options section. The Ideas also relate back to the development themes that emerged from the first East Bay Study report.

A basic concern throughout the entire Options and Ideas is how best to enhance the position of the East Bay to attract new job growth. All three parts of the Ideas section--1) economic development ideas, 2) local revenue ideas, 3) housing supply ideas--provide a concurrent strategy for encouraging economic development in this part of the Bay Area.

The first part of the Ideas section suggests several ways that East Bay communities can undertake cooperative efforts of encouraging economic development. Most East Bay cities have enacted a variety of programs to encourage industries to locate in their community. Most of these programs are aimed exclusively at promoting their individuals job sites. Major employers, on the other hand, are concerned with both the attributes of regional labor markets and specific job sites. The ideas concentrate on subregional approaches to encouraging economic development.

The second part of this section outlines eleven ideas for financing governmental services. East Bay communities will not be able to maintain or improve their "image" unless they can provide appropriate levels of public services. An adequate revenue base is required to meet expenditures for police and fire protection, maintenance of streets and utility lines, and community revitalization projects. Recent constraints on local revenue raising and federal and state budget cuts have resulted in local cutbacks to almost all of these services. East Bay communities must continue exploring new ways to finance services in non-traditional ways if they hope to enhance their "image."

The third part describes seven general ideas for increasing the housing supply in the East Bay. The options analysis indicates that the East Bay may not be as an attractive a employment center if it does not undertake efforts to encourage increased housing growth. The pent up demand for new housing, now being held in check up high interest rates, will eventually lead to further housing growth in the Bay Area. Employers will look to see where housing markets are expanding and will likely situate nearby. As indicated in the options analysis, rental and condominium apartments may become more attractive to those people who cannot afford a single-family home. Therefore, cities will need to consider high density zoning to accommodate this segment of the market. These ideas are presented with the assumption that the economic pressures that are now hurting the entire home building industry will eventually subside. The ideas are also presented with the knowledge that East Bay communities have been among the most creative in the region in using public financing incentives to stimulate desired new housing. Therefore, the housing ideas concentrate on land use, rather than financial, methods for encouraging new residential development.

The purpose, at this time, for presenting the various ideas is not to advocate or recommend the use of any or all of them. Nor are the ideas meant to be all inclusive. It is hoped that others will be suggested during the course of their debate. Rather, the ideas are to stimulate discussion on what might be locally acceptable methods for bringing about desired change. The final set of policy recommendations, made in the third stage of this study, will be developed in part from the city and county responses to these various ideas.

EAST BAY OPTIONS

The first East Bay Study report on "Issues and Opportunities" discussed the East Bay's relative position within the metropolitan area from a perspective of six significant growth determinants--1) economic development, 2) affordable housing, 3) energy consumption (with an emphasis on commuting costs), 4) social and economic mobility of disadvantaged persons, 5) public facilities and services at least cost, and 6) development regulation and profitability. Following the release of the first report, discussions were held with city councilmembers, supervisors and staff of East Bay cities and counties to further explore the issues and opportunities within their communities. Discussions were also held with East Bay community interest groups concerned with growth and development.

Several common themes emerged from the discussion of the first report. The themes are:

1) The East Bay has been overlooked as a regional resource for job development

From a public policy standpoint, there is strong local and regional support for job development in the East Bay for a wide variety of economic and social reasons. For example, the recently adopted economic policies of ABAG's Regional Plan:

- a) encourage the clustering of jobs to efficiently use the region's transportation system,
- b) encourage the strengthening of Bay Area's position for attracting office activities and high technology industry by siting of offices and manufacturing plants in communities that can provide the needed housing, transportation and public facilities,
- c) encourage industry retention and new job growth in areas easily accessible to existing concentrations of unemployed and underemployed workers.

From an employment standpoint, there are many advantages for selecting the East Bay for a company's new plant or office. The area has:

- a) a large and growing labor force that is expanding due to its high labor force participation rate (more two and three workers per household),
- b) a large share of the region's housing supply which has a wide range of housing prices including those under the region's average,
- c) an outstanding transit service throughout most of the study area, and

- d) land available for both industrial and office sites, at prices competitive with those elsewhere in the region.

Yet, despite these attractions, new job growth has been relatively slow in the study area. The reasons for this condition are not entirely clear but must in part be due to insufficient awareness of the locational benefits of the area and minimal recognition of the pressing need to consider employee accessibility to moderately priced housing and convenient transit. The current negative perceptions or "images" of the East Bay are also counterbalancing its positive characteristics.

2) The East Bay has had an "image" problem that obscures its job development potential

Widely perceived "images" of a section of a community or a portion of a metropolitan area can greatly influence the locational decision of potential companies. Yet the ingredients of an image, and the manner by which the ingredients are intuitively combined to form a single impression, can easily present an inaccurate picture. Often this single image is formed based on a mixture of facts and fiction.

In the case of the East Bay, the image to some people is one of a declining inner area with pockets of dirty industry, high crime and low educational achievement. Unfortunately, such an image overlooks many of the positive characteristics of the area. On the one hand, there is no denying the statistical information that East Bay cities rank among the highest in the region in crime. But, on the other hand, the impression is erroneous that potential East Bay job sites are unappealing when compared to the rural setting of a suburban industrial or office park or a view capturing San Francisco office buildings. Office and industrial sites in Oakland, Emeryville, Richmond and Hercules have outstanding views of the bay, the East Bay hills, the ports or Lake Merritt.

It is unfortunate that subjective impressions are so important in shaping locational decisions; nonetheless many who discussed the East Bay issues felt that the negative image is a critical problem. Often, this negative image has served to offset the positive characteristics of the area. Therefore, efforts are needed both to correct the tangible problems--e.g., reduce crime, improve educational achievement--and to combat inaccurate impressions that have combined to foster this negative impression.

3) Housing is one of the most critical links in attracting new job growth--both in the Bay Area as a whole and in the East Bay in particular

Previous ABAG projections of housing need (done prior to the soon to be released State-mandated estimates) indicated that between 1975-80 the Bay Area produced 18% too few housing units required to meet current demand. In the East Bay Study area, the five-year shortage of 57% was much more severe than that which occurred in the rest of the region.

Due to the lack of readily developable vacant land, the creation of substantial amounts of new housing represents a major challenge to East Bay cities. Yet, without the growth of new housing, middle and low-income families will be squeezed out of the area and new or existing industries will lack the labor force they require.

4) The inability of local governments to raise revenues needed to keep up with inflation-driven costs poses a serious threat to maintaining existing--let alone new--local service demands

Reduction in city revenues, due both to Prop. 13 and cuts in federal and state support, has lead cities and counties to make major cuts in services. General administration, parks and recreation, libraries, social services and maintenance of capital facilities (roads, storm sewers, parks) have taken the greatest cuts. Still, further budgets cuts will be necessary because communities lack the revenues necessary to keep pace with inflation. Therefore, sewer, street, or water line improvements needed to enable new job or housing growth are out of the fiscal reach of some East Bay cities unless new, less traditional ways of financing such expenditures are found.

East Bay Development Options

The four themes above provide the background for discussing development options for the East Bay. As is traditional in most planning programs, this is the appropriate time to array a variety of possible growth alternatives. Such alternatives outline possible public policy choices for councilmembers and supervisors to consider in amending their general plans. They are based on differing assumptions of future trends and their corresponding impacts.

This report will make a departure from this tradition. Instead of presenting options exclusively oriented to change in governmental policy, the study analyzes East Bay job development alternatives for Bay Area business leaders faced with making a decision where to locate a new or expanding work force. More specifically, the options presented are aimed at helping the employer who is saying:

"I am a manufacturer (or office space user) and my firm is expecting to grow over the next decade. Most of my work force is made up of low and middle wage employees. I am concerned about high employee turnover due to greater demands on their total income from housing and transportation costs. Where can I locate to be in an optimum position to attract a labor force that will have lower housing and commute costs."

The reason for presenting development options that focus on business decisions is probably apparent. The locational decisions that will be made by business over the next decade will have a substantial impact on the future growth patterns of the Bay Area and the East Bay. A clearer understanding of whether the East Bay makes sense as a future employment location, given the pressures of the 1980s, should help business in making their decisions. It should also help local governments determine how the application of various development programs and regulations can improve the attractiveness of their area for job growth.

How the Options Are Analyzed

In the Bay Area the urban structure has been greatly influenced by the locational decision of the high technology and office industries and of individual households. Office and high technology industries currently represent the most dynamic elements of the Bay Area economy and are the sectors where most of the regional employment growth in the next twenty years is expected to occur. In the past they have been concentrated in San Francisco and the Silicon Valley area of Santa Clara County. Individual households, faced with limited supply of housing, have responded by locating either in close proximity to the two employment centers or at the fringe of the urban area and therefore are experiencing significant transportation costs.

However, there are strong indications that in the next twenty years this situation will be drastically altered. Changes brought about by physical constraints on new development and changing socioeconomic characteristics of the labor force will result in different development patterns. As a result of high travel and housing costs, individuals will try to obtain employment close to their residences. New households will locate in areas where there is an ample supply of lower priced housing, and families which already have homes will avoid making changes. Because of high office rents and an untapped labor force in some suburban communities, expanding or relocating firms may attempt to locate outside San Francisco and the Silicon Valley in an effort to minimize their location and labor cost. The interplay of these complementary trends may produce an urban structure for the Bay Area different in several aspects from the existing one.

Therefore, the two questions analyzed in the development options analysis are:

- a) which part or parts of the Bay Area will benefit the most from the anticipated changes in location patterns, and
- b) what are the implications of these changes on different local government policies.

Methods of Analyzing the Options

To answer these two questions, a mathematical formula or model has been prepared by ABAG staff for comparing the attractiveness of the various workplace locations in the Bay Area. The model accounts for the various factors that will influence the urban form of the Bay region and is concerned with the allocation of the employment growth in the office and high technology industries. In addition to estimating the location of the new activities, the model determines at the same time the residential location of newly formed households and the number of trips by each form of transportation.

The option analysis focuses on the allocation of only a part of the employment growth in the office and high technology industries. Employees' unwillingness to travel and high land costs will not affect the locational decisions of all office/high tech firms. A majority of first level office users (national corporate headquarters, for example) are expected to continue locating in San Francisco because of its

nearness to other corporate, financial and legal services; personal locational preferences of upper management; and the prestige associated with the area. For similar reasons Santa Clara County, particularly around the Palo Alto/Sunnyvale/San Jose area, will continue to attract the corporate and research functions of the electronics industry.

Since these two types of firms have fixed locational preferences and their decisions are not as sensitive to the factors discussed earlier, they are not considered in the model. Thus, only second level office users and electronics manufacturing employment are allocated by the model. The labor force attracted by these firms is characterized by a middle to lower level of education attainment and by low to moderate wage levels. Labor statistics categorize these occupational groups as operatives and clerical workers. Women employees now make up a significantly large portion of these occupations.

The analytic approach assumes that firms will locate at sites where their costs are minimized. Some of the business costs such as depreciation, federal taxes, and capital equipment are not influenced by locational decisions. Similarly, freight costs do not play an important role since they represent only a small percentage of the costs incurred by the office and high tech industries.

Two components where there are locational differences are the costs of land and the cost of labor. There is ample evidence to support the assumption of differing land costs. Office rents in San Francisco are two or three times higher than in downtown Oakland, Richmond or Walnut Creek. Industrial land has been almost completely exhausted in some highly developed areas of Silicon Valley with attendant high rents or land values.

The labor costs picture is not as clear. The available statistical evidence does not show serious wage rate difference for clerical or production workers across the Bay Area. Nonetheless, it is widely acknowledged that rates for office workers in San Francisco are somewhat higher than those in the rest of the area, due largely to increased commuting costs of those workers.

However, even if hourly rates are assumed to be uniform, total labor costs are sensitive to employment location because they are related to the capability of the firm to attract qualified personnel. As discussed earlier, workers will react to the rising costs of energy and the lack of affordable housing near the two predominant employment centers by getting jobs closer to their residences. Consequently, firms located too far away from the labor source may experience labor shortages and increased employee turnover rates.

Unfortunately, there is a complete absence of information that would permit estimation of the relationship between costs, labor shortage and quality, productivity and proximity to labor supply. As an alternative to such information, the options analysis assumes that labor costs are minimized when employees are satisfied in their trip-making/housing preferences. Firms locating at sites which satisfy these desires will be able to attract enough employees and therefore will be less likely faced with labor shortage or high turnover.

The labor supply used in the program consists of two groups of individuals. The first group includes the workers from new households--formed by either new arrivals to the Bay Area or by recent school graduates. The second group contains individuals that are already located in the Bay Area and that are entering the labor market because of an increase in the labor participation rates--such as women entering the labor force for the first time.

The locational behavior of the two groups is assumed to be different. Workers from new households will decide where to live and where to work based on housing and transportation cost considerations. Although these new households might prefer to locate in high priced neighborhood, they are constrained to live in houses they can afford. The model does not permit their housing expenditures (mortgages or rents) to exceed a set portion of their incomes. For the type of workers considered in the analysis--low to middle income clerical and operatives--the price of housing is a very binding constraint. The program uses current Bay Area housing prices in determining where these new workers can afford to live.

For the group of workers who already reside in the Bay Area, the program assumes that they will not move soon because of high interest rates and general unavailability of mortgage money. Accordingly, these workers entering the labor market will select jobs largely on the basis of commuting costs.

The travel cost assumptions and information, which include considerations of trip origin and destination, travel time and type of mode (car, carpool, transit) are those developed by the Metropolitan Transportation Commission for the Bay Area.

The labor participation rates, the number of new households, and the number of new clerical and operative jobs in the office and high technology industries are taken from ABAG's Projections 79.

Lastly, the model recognizes that businesses do not make locational decisions based exclusively on land and employee preferences. The locational selections are also sensitive to the perceived amenities available in an area or the image of the area. Such amenity or image factors include inexpensive parking, ease in finding good shopping or meals, a "close-to-nature" atmosphere, low crime rates and others. Many of these represent subjective judgments, thereby causing difficulties in attempting to quantify or compare them to land and transportation costs.

To adjust to the importance played by the image of an area, an attractiveness factor is introduced in the model. An average attractiveness indicator, ranging from 1 (best) to 10 (worst) was developed for all major Bay Area employment locations through a survey procedure involving several experts in the commercial real estate market.

Some Cautions in Interpreting the Analysis

Before presenting the analysis on development options using the model, the reader should be cautioned in interpreting the findings. First, the analysis only considers a portion of the 1980-90 Bay Area job growth. The number of new operative jobs are derived exclusively from the computer, electronic, and miscellaneous manufacturing industries. The new clerical jobs are calculated solely from the industrial categories of finance, insurance, real estate, personal services and business services. Other occupational categories (e.g., professional, technical, sales, service) in these industries are not included, largely because other corporate needs do not permit as much flexibility in locating these positions. The analysis only allocates 36% of the 1980-90 job growth and 4% of the projected total Bay Area employment in 1990.

Second, locations where the model does not allocate these jobs should not be viewed as undesirable. Considerations other than those used in the program may be far more important for certain industries or under certain circumstances. As an example, the model did not allocate any jobs to San Francisco. Yet, as mentioned earlier, it is very probable that San Francisco will continue expanding its already large share of office workers because it attracts corporate headquarters.

Third, ABAG's population and housing projections used in the model do include consideration of local planning and development constraints. However, direct constraints to job growth such as traffic congestion of nearby roads are not included in the analysis.

The Development Options

Four job development options are analyzed using differing assumptions of future conditions that can influence location decisions. For ease in comparison, each option considers the change in only one factor at a time. The factors considered are:

- 1) Option One -- Transit Emphasis
- 2) Option Two -- Housing Cost Emphasis
- 3) Option Three -- Emphasis on "Image"
- 4) Option Four -- Continued Rate of Home Building

The options considers optimum sites in the Bay Area for locating an increased regional labor force of 60,900 office clerical workers and 51,400 high technology operatives. The basic assumptions selectively altered in the various options are:

- 1) Approximately 16% of the work force being studied will travel to work by transit. This percentage is higher than the Bay Area average (13%) for all commuters and reflects the fact that a higher than average percentage of clerical workers take transit.

- 2) The workers seeking new housing would be able to spend \$900 per month for their mortgage payment. Such an assumption anticipates that there would be more than one worker in a household.
- 3) Only 22% of the potential work force of 25,000 people, would be seeking new housing. This percentage is roughly equivalent to the projected migration rate into the Bay Area. The remaining potential work force would come as a result of an overall increase in the number of workers per household.
- 4) A regionwide attractiveness or "image" threshold of 3.5 (San Francisco, Marin and Palo Alto had the best rating of 1; Richmond had the worst ranking of 10). The lower the regionwide threshold, the greater the importance given to "image" in making a location decision.
- 5) The amount of new housing built between 1980-90 would be equivalent to ABAG's housing projections (from Projections 79).

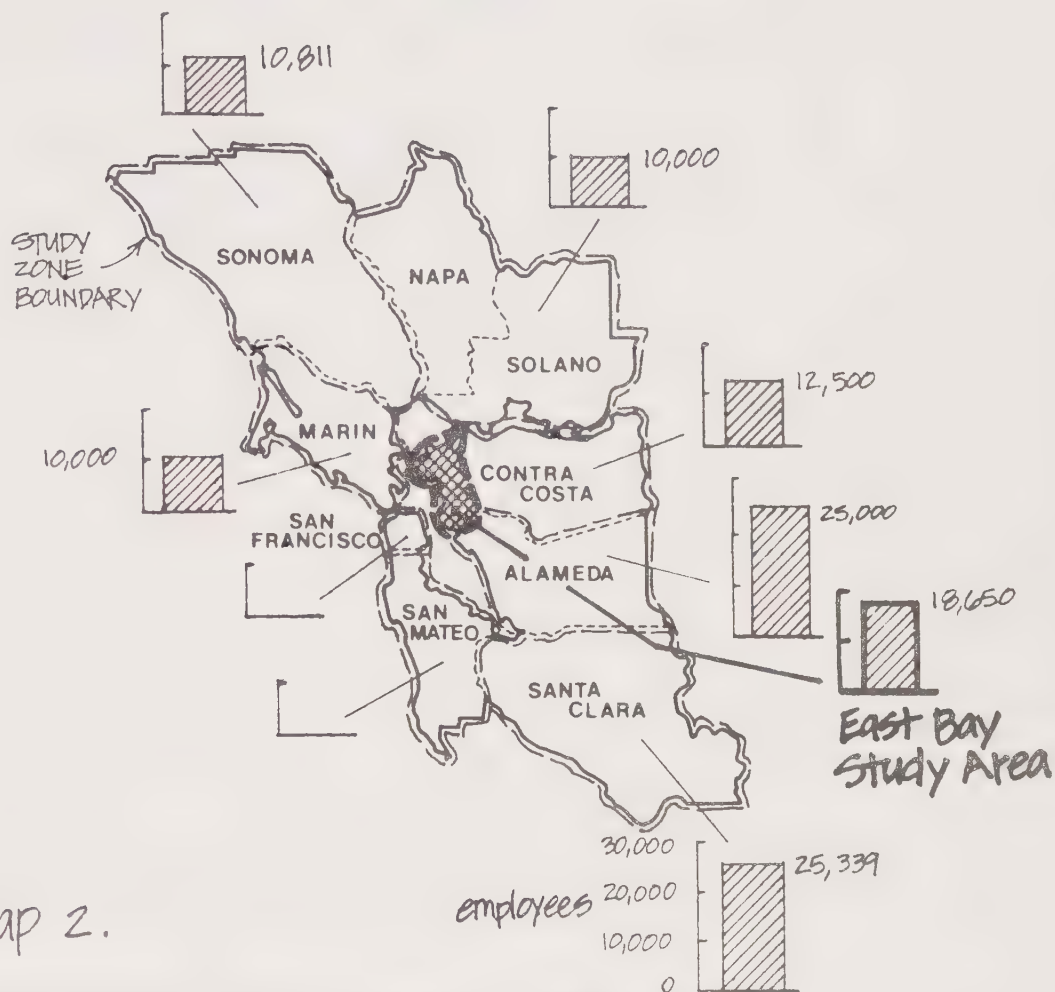
Maps Two through Five show the combined number of office clerical and high technology operatives allocated by the model to nine employment zones: East Bay Study Area, remainder of Alameda County, remainder of Contra Costa County, Santa Clara County, San Mateo County, City and County of San Francisco, Marin County, Sonoma County and Napa/Solano counties. These zones are made up of 52 smaller geographical areas used in the model.

The figures in the maps represent the optimum number of jobs that could be attracted to the various nine zones based on the assumptions used in the different options. The amounts shown in the differing options should be compared to each other to gain an understanding about how an emphasis on one particular location-influencing factor can affect the job growth potential for the two occupations being studied. The reader is again warned not to infer that the analysis implies that those zones where jobs were not allocated--San Mateo and San Francisco--are not desirable for job growth. That is obviously not the case because both of these counties are attracting new businesses.

Option One -- Transit Emphasis

Question: "Where should I locate if I am primarily concerned that my work force will be able to use transit?"

Transit access from homes to work will be of increasing importance to businesses seeking clerical and operative workers. Reasons for this importance can be learned from reviewing the past characteristics of this work force and their dependence on transit. A 1979 U.S. Bureau of Labor Statistics report on the Bay Area indicated that 79.2% of all clerical workers were women. Similarly, a 1977 study on the Santa Clara County semiconductor industry indicated that a large majority of its operatives were women. It is significant that women make up such a



OPTIMUM JOB LOCATIONS, 1980-1990*

OPTION ONE

TRANSIT EMPHASIS

(25% TRANSIT RIDERS)

* For business and high technology firms wishing to expand or relocate clerical and operative/production staff.

large part of the clerical and high technology operative occupations. Due largely to the mid-to-lower wage rates of these jobs, employed women use transit far more than employed men. This condition is confirmed by a 1977 MTC survey of work travel in San Francisco, Alameda and Contra Costa Counties which found that clerical workers used transit far more than their counterparts in other occupational categories. In the survey, clerical workers constituted 33% of those workers questioned. However, they represented 51% of the surveyed workers who rode the bus and 41% of BART riders.

There is little information available to provide insight on the travel characteristics of high tech operatives. Since most of the high tech industries are scattered throughout Santa Clara County, and that county has only recently initiated a transit program, bus ridership by electronics production workers is probably relatively low. Yet, new commuter transit service in Santa Clara County has resulted in a significant jump in riders. Commuter express bus service from residential areas to large electronic plants has been particularly successful. Therefore, it is likely that increased numbers of electronic production workers riding to work have accounted for an important part of this transit growth.

To test the importance of transit in selecting a location, Option One changes the basic transit assumption so that 25% of the subject labor force ride a bus or train. Since this is approximately double current Bay Area commuter average, Option One represents an employer's particularly strong desire that the work site be located in an area that a large number of the potential labor force can reach by transit.

The East Bay and Option One

The model allocates 18,650 of the total 112,300 new clerical and operative jobs to East Bay communities. This amount represents 16.6% of the Bay Area total. Map Two shows the allocations for the entire Bay Area.

As will be discussed in Option Three, the primary reason even more jobs were not allocated to the East Bay when transit is emphasized is due to the image constraint used in the evaluation. Other tests conducted that emphasized transit indicated that the East Bay communities could be allocated as many as 21,500 jobs if not for the importance given to negative "image" considerations.

In summary, industries and businesses concerned that their facilities or offices are accessible to a labor force that is particularly dependent on transit will find that East Bay communities, served by both BART and AC Transit, are optimally located to meet their needs.

Option Two -- Housing Costs Emphasis

Question: "Where should I locate if I am primarily concerned about the housing costs of my employees?"

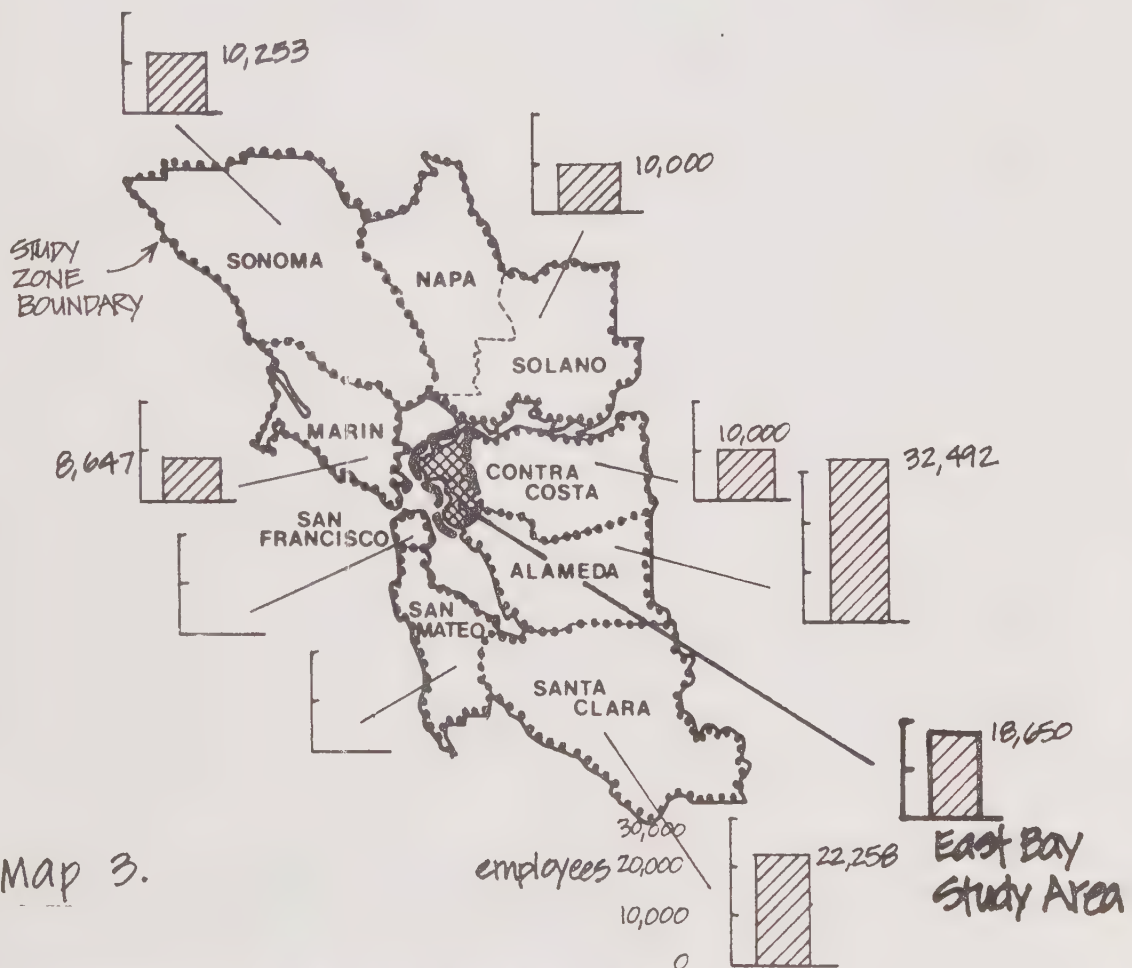
The price of housing has become a serious constraint in attracting and holding employees. The average price of a three bedroom, two bath home in the Bay Area is between \$110,000-120,000. There are many sections of the region where home values have increased more than 100% in the last three years. A mortgage payment for an average-priced home can run in excess of \$1000 per month. Whereas rents have generally increased at a lower rate than housing prices and still average between \$300-500 per month, strong pressures are at work that can change this condition. The lack of new rental units is one of the major housing problems in the region.

Making high mortgage or rent payments will be a problem for people who will hold clerical or operative positions, especially if they must depend on only one income in their household. The 1980 California Employment Development Department figures show that the average monthly wage for an electronic production worker is \$1,267 per month. Average monthly clerical wages are about comparable. Using the housing rule of thumb that payments should not exceed 30-35% of one's monthly income, a clerical or high technology operative could afford only \$380-445 per month. In many cases in the past, this amount has been combined with that of another household member to help pay for a bigger house or a better locations. Yet, as housing prices have continued to increase, home purchase has gone beyond the reach of many households having two mid-to-low wage earners. This condition is particularly true for those just entering the housing market and who do not have built-up equity from a previous home sale.

Option Two--Housing Cost Emphasis--considers this critical problem by altering the housing budget assumption from \$900 to \$700 per month. In so doing, the option analysis determines those work locations that are particularly close to residential areas where the potential employee can make an average monthly housing payment of \$700. As a reminder, the housing consideration in the analysis is only concerned with people just entering the Bay Area housing market. It does not consider those who now live in the area on the assumption they will not move because of the unavailability of mortgage money, higher interest rate and increased property taxes.

The East Bay and Option Two

Option Two determines that 18,650 new employees could optimally be located in East Bay offices and factories given their increased problems with housing costs. This amount again represents 16.6% of the total employment categories being studied. Map Three shows the regional allocation of the 112,300 jobs.



OPTIMUM JOB LOCATIONS, 1980-1990*

OPTION TWO

HOUSING COST EMPHASIS

(\$700 PER MONTH)

* For business and high technology firms wishing to expand or relocate clerical and operative/production staff.

As can be seen when comparing this option to Option One, placing a greater housing cost burden on these employees does not greatly alter the relative optimal distribution of the jobs in the region. With the exceptions that there are slightly fewer jobs allocated to high priced housing areas (Marin and Santa Clara Counties) and more to a lower priced area (remainder of Alameda County), the model holds most areas relatively unchanged. The reason for the lack of radical changes in the optimal job locations is that the analysis shifts the new potential employees from prospective home buyers to renters. The reason for this shift is that there are almost no Bay Area communities where a household with a \$700 per month housing budget can buy a new home. Consequently, a \$700 monthly housing budget is only a constraint for the newcomer who wants to buy a home. It is not a limitation on the only choice that may be available to most of these workers--that choice is to rent. There are enough rental units available--although most are currently occupied--throughout the Bay Area at costs greatly less than \$700. Therefore, the employees analyzed in this study should be able to find housing to match their budgets near almost all job locations.

Although the findings on this option are not startling, their implications are important. First, as these newcomers to the Bay Area find their two incomes cannot meet the basic threshold for home purchase in any Bay Area location, they will be forced into the rental market. In most cases, their housing budgets will be far above those of other renters, particularly those with low and fixed incomes. They are therefore likely to bid up the rental market and cause problems for others who cannot afford the new rents.

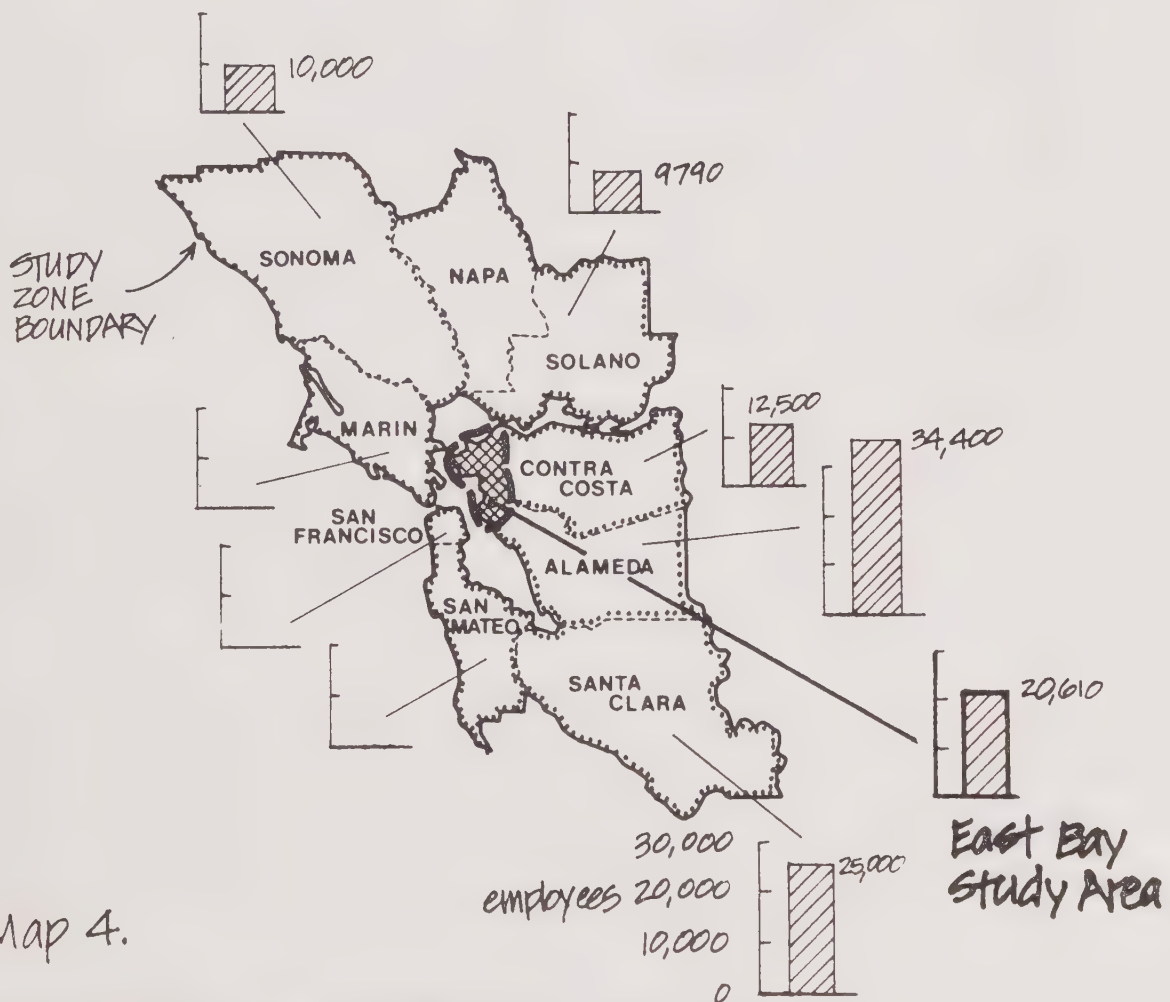
Second, these two-income households could be in the market for newly constructed, lower priced condominium apartments or townhouses that have payments of around \$700. Similarly, they could afford newly constructed apartments if such developments can become economically viable at these higher rents. Without the building of such new condominium or rental apartments, the pressure on the existing rental market will continue to build and lower income tenants will face increased difficulty in maintaining their affordable housing.

Option Three -- Emphasis on "Image"

Question: "Where should I locate if I am primarily concerned about the "image" of the area?"

As discussed at the beginning of the report, the "image" of the community is an important determinant for where a company locates. In a survey of a number of Bay Area experts on commercial real estate and business site location, almost all respondents ranked the "image" or attractiveness of a location as more important than land cost and proximity to a potential labor force in selecting a site.

To better determine what characteristics make up the concept of "image," the survey also asked for a ranking of key ingredients. The response indicated that low crime rate is the most significant factor followed closely by visual setting (view, other aesthetics), proximity to qualified labor force, and proximity to shopping and restaurants.



OPTION THREE

EMPHASIS ON "IMAGE"

(reduces the importance of the image factor)

* For business and high technology firms wishing to expand or relocate clerical and operative/production staff.

Parking and proximity to either primary competition or head office were given a slightly lower rating.

The development option analysis uses image as a principal factor in determining the optimum locations for employment. Yet, the importance to be placed on "image," relative to other considerations, is a highly subjective matter that can vary greatly, based upon the person making the decision. Moreover, the effort to determine exactly how much more important it is to be located in a low crime area versus being near to good restaurants is equally subjective. Finally, as was the case in our survey of experts, there are widely varying opinions on whether the restaurants in one community are barely better, much better, or incredibly better than those in another community. Therefore, given the highly subjective nature of this consideration, the weighting of the image factor is changed in Option Three to see how it changes the optimum allocations. It does so by altering the regionwide factor from 3.5 to 4.5 and in so doing places less stress on "image."

The East Bay and Option Three

The panel of real estate and site location experts concurred with the local officials who felt that the East Bay has an "image" problem. The experts gave the various East Bay communities a composite attractiveness ranking of between 6 and 10, with 10 being the least attractive location. Concern for the high crime rate was the main reason for this poor ranking. East Bay communities also received relatively low rankings for visual setting and proximity to shopping and restaurants.

When the importance of the "image" factor is reduced, the analysis shows that the East Bay becomes the optimum site for 20,610 jobs (see Map Four). This figure represents 18.4% of the total high technology operative and office clerical jobs allocated by the model. This amount of jobs represents the largest allocation to the East Bay of any of the presented options--about 2,000 greater than the First or Second Option.

An extra test was conducted to see what happened when the lower emphasis on "image" is combined with greater emphasis on transit. The analysis allocated 21,500 jobs to the East Bay.

The findings numerically demonstrate two points. The first is that "image" by itself should not be the sole determinant for rejecting the East Bay as an office or industry location. It is very significant that when greater emphasis was given to the "image" factor--Options One and Two--the East Bay still is the best location for 18,650 new jobs.

The second consideration, demonstrated in the analyses, is that a poor "image" can counterbalance some of the advantages of an otherwise prime location. Moreover, the value of major regional public investments, such as those in transit, are partially minimized when an area is cast as being less desirable. East Bay communities lose some of their critical transit and housing advantages when they are viewed negatively. Efforts are necessary to counteract these impressions.

Option Four -- Continued Rate of Home Building

Question: "Where should I locate if I am primarily concerned about the slow rate of housing growth in sections of the Bay Area?"

The ABAG Housing Activity Report, May 1981, compared the past five years of housing permit issuance to the annual regional housing goals. These goals present the annual average number of housing units that must be built in each geographical housing market from 1975 to 1990 to accommodate the projected population. The population projections are based on anticipated rates of growth in the Bay Area economy and employment.

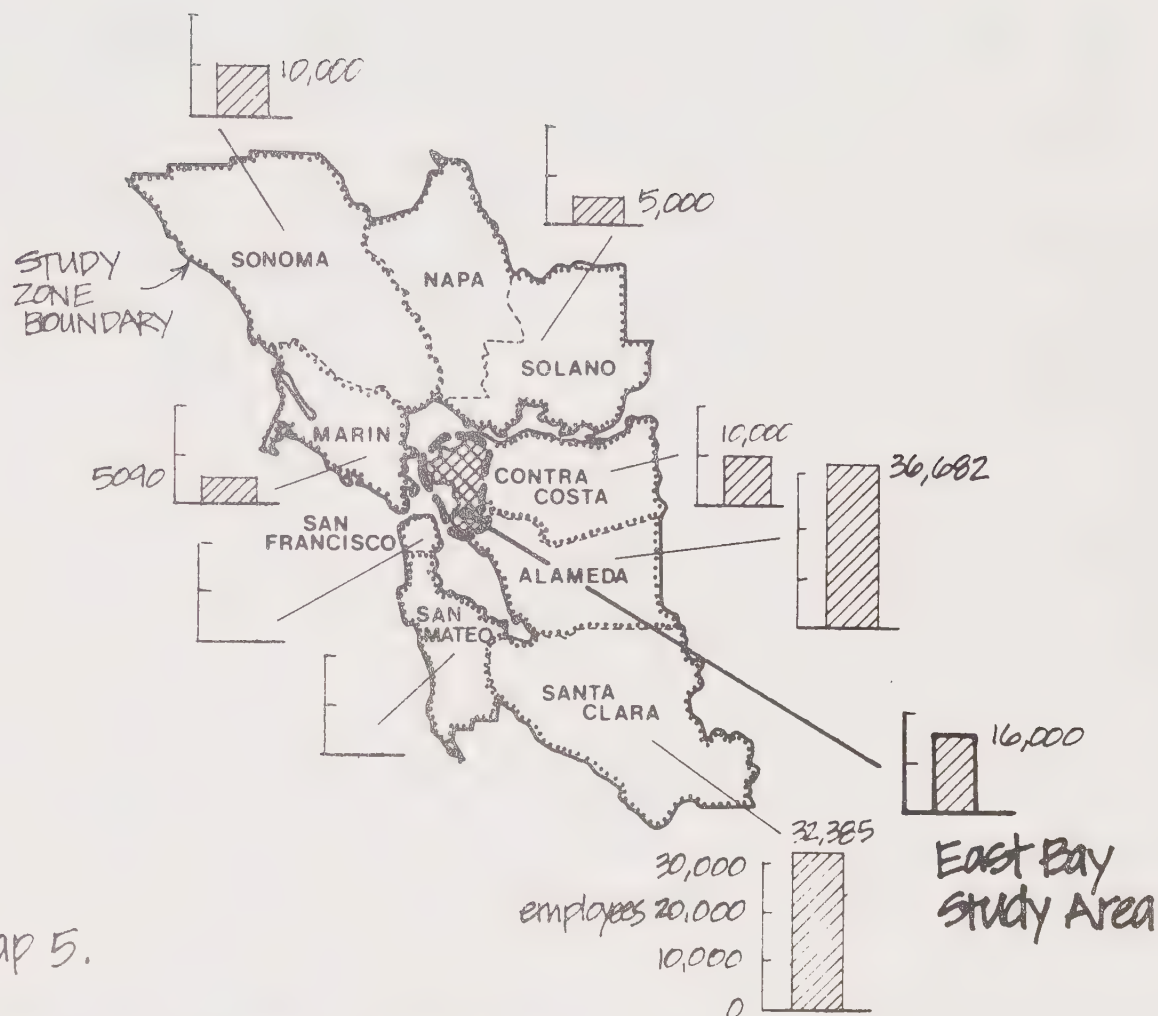
As indicated in the activity report, the Bay Area had a 18% shortfall when the number of permits issued were compared to the housing goals. Other conclusions of the activity report were:

- 1) two of the high growth areas--South Alameda and San Jose-Milpitas--issued permits amounting to 29% and 14% respectively above their annual goals;
- 2) the core of the region--San Francisco, North Alameda County, Hayward, and South Marin County--issued permits an average of 50% below the ABAG annual goal for their areas;
- 3) Central Contra Costa and Vallejo-Benicia were slightly below the annual goal, 80% and 92% respectively. Central Solano was producing on average of only 69% of the annual goal;
- 4) Napa County, East Solano, San Mateo Coast, Pleasanton-Dublin and Livermore were also considerably below the annual goal;
- 5) East Contra Costa County and South Santa Clara County, although areas of moderate growth in general, substantially exceeded the annual goal.

The Continued Rate of Home Building Option analyzes optimum job locations from the view that all Bay Area housing market continue toward their regional goal at the same rate as they did in the past five years. The intent of this option is to see how the differing rates of housing increase can affect the allocation of optimum sites.

The East Bay and Option Four

The Housing Activity Report indicates that the Alameda County section of the East Bay Study Area, between 1975-80, issued only enough building permits to meet 33% of its regional housing goal. The Contra Costa County section of the study area issued permits for 74% of the goal.



OPTIMUM JOB LOCATIONS, 1980-1990 *

OPTION FOUR

CONTINUED SLOW RATE
OF HOME BUILDING

* For business and high technology firms wishing to expand or relocate clerical and operative/production staff

The analysis indicates that the East Bay would be the optimal site for 16,000 new jobs (Map Five). This figure is about 2,500 lower than the first two options and 4,500 below Option Three. Most of the loss goes to communities in southern Alameda County and Santa Clara County where the rate of new housing exceeds the regional goal.

The implication of this option is apparent. The East Bay will still remain an attractive job site if it continues the same, relatively slow rate of new home construction. Yet, the inability of the study area to come close to meeting the projected regional need could well reduce its ultimate job development potential.

Conclusions for the East Bay from All Four Options

Many other options, using various changes to individual factors and combinations of factors, were tested prior to writing this report. However, their findings only marginally improved the basic and straightforward conclusions that can be drawn from the analysis. These conclusions are:

- 1) the availability of regional transit service to many of the East Bay job sites is a strong reason why this area is an optimum location for new job growth. Tests that placed more emphasis on transit and less emphasis on image resulted in the East Bay being the best location for 19% of the jobs considered in the study;
- 2) the current Bay Area housing prices may be beyond the reach of many of the people working in the office clerical and high tech operative jobs, even when they combine their housing budget with another household member. This condition will likely push them into the rental market--which can either be seen as a positive condition for apartment builders or a negative sign for current low and moderate-income renters;
- 3) the "image" of the East Bay can serve to reduce its job growth potential. Prospective office or manufacturing employers should not be so deterred by the negative aspects of the "image" that they may not see the area's positive characteristics. On the other hand, those people hoping to attract jobs to the East Bay should work together to reduce these negative perceptions;
- 4) the slow rate of housing growth in the East Bay can reduce its ultimate job development potential. Communities concerned with maintaining its economic attractiveness need to seek ways to increase their housing stock while still maintaining their social and environmental quality; and

- 5) all factors considered together--transit, housing costs, "image" and housing supply, the East Bay is an optimum site for significant growth in the portions of office and high technology jobs considered in this study. The various options indicate that the area could be the best site for between 15-18% of the new job growth in these important Bay Area industries.

ECONOMIC DEVELOPMENT IDEAS

All three parts of this section--1) economic development ideas, 2) local revenue ideas, and 3) housing supply ideas--provide a concurrent strategy for encouraging job growth in the East Bay. The enactment of these ideas would be supportive of the various economic development programs already being pursued by East Bay communities. These local programs include use of:

- 1) redevelopment powers,
- 2) tax increment financing for improving capital facilities,
- 3) revenue bond financing at below-market interest rates,
- 4) UDAG and Community Development Block Grant financing and assistance,
- 5) Private Industry Council (PIC) efforts to assist job training and placement,
- 6) provision in the new federal income tax law to attract private investment,
- 7) publicly created Economic Development Corporations, and
- 8) streamlined development review procedures.

Quite logically, all of these local economic development programs are aimed exclusively at encouraging industries to locate in their particular community. Major employers, on the other hand, recognize that their employees will not be drawn solely from one community. They are concerned with both the potential of a subregional labor market and the characteristics of individual sites. The economic development ideas therefore concentrate on regional approaches to encouraging East Bay job growth recognizing that the promotion of specific sites or projects is best handled by the affected community.

Action A.1: Conduct a joint effort between all East Bay communities and business to promote the area for job development

Obstacles: As has been discussed in the Options section, the East Bay has had an "image" problem that obscures many of its advantages. Lingering impressions of the area as an old industrial center hurts its potential for attracting new economic development. There has been little effort given to presenting a clearer understanding of the advantages of the East Bay. Most promotional efforts stress only the benefits of a particular city or office/industrial project and do not address the characteristics of the entire market area.

Organizations such as the Chambers of Commerce agree that a regional promotional effort is logical but fear it would eventually bog down in local differences. Moreover, each new office or industrial park development will, to some degree, compete with another. Developers therefore question why they should help someone else's project if there is a limited market for new development.

Rationale for Action: Plans for potential new offices and industrial properties in several East Bay communities have been recently announced. Each one of these multi-million dollar projects will conduct its own promotional campaign stressing its own particular attractions. Consideration should be given to marketing activities that include an explanation of the economic potential of the entire East Bay area. In this manner, the project promotion should be less concerned with its competition with other projects in the area and more with expanding the total market of the East Bay. Promotional activities should build from the successful completion of one East Bay office or industrial property to provide some of the attraction rationale for development in another part of the area.

As an example, much of the success of industrial parks in Santa Clara County is due to their location in "Silicon Valley." Yet Silicon Valley is not one city--but a series of cities. New job growth in Palo Alto helps the attractiveness of San Jose.

Implementation Ideas: Local elected officials; business, labor and other community leaders; Chamber of Commerce representatives; and developers of major proposed office, commercial, and industrial projects should come together to develop a promotional strategy and program for the entire East Bay. The program should focus on presenting a clearer "image" of the East Bay, including those efforts now underway in unique education and training programs to resolve current image factors. This program would then be available for the various developers to use in promoting their individual projects.

Action A.2: Create a cooperative program among East Bay cities to attract and retain high technology and genetic research industries in the East Bay

Obstacles: The University of California is situated in the middle of the East Bay. Its highly respected science and engineering programs have led to the creation of many of the products that are stimulating the world economy. Yet, the University has had little of the same job-enabling effects on the East Bay the Stanford University has had on communities in Santa Clara County. Part of the reason is because there is not the vacant land available for the research and development and manufacturing activities associated with the new high tech industries.

Additionally, questions have been asked about the advantages of local government specifically encouraging high tech industries when many of the new jobs could not filled by the unemployed residents of these communities.

Rationale for Action: ABAG's soon to be published report on high technology industries indicates that there are a variety of direct and secondary employment opportunities stimulated by such companies. But, the creation of high tech jobs will not immediately solve a community's unemployment problems. Before they can fill these jobs, the unemployed and potential employees need training in reading, dexterity and other basic skills. The ABAG report stresses the importance of involving community colleges, vocational centers and training centers in this process. Some of these considerations have already been recognized by education and training programs in the East Bay.

East Bay communities, due to their proximity to the University, have an unique opportunity to learn about the labor force and land use needs of potential industries. This is an advantage that other United States communities with high unemployment problems greatly envy. East Bay communities need to continue their efforts to use this advantage.

Implementation Action: Regional actions have recently been initiated to attract and retain high technology industries to the East Bay. The Alameda County Board of Supervisors has sponsored efforts to bring together several cities in the study area to discuss methods to support a "center" for genetic engineering research. Discussions are being held with representatives of the University to explore how best to proceed. Endorsement of State legislation to create such a center is one option. The creation of a joint powers agreement among different East Bay cities to combine promotional and financial efforts is also being considered.

LOCAL REVENUE IDEAS

This section deals with the problem of local fiscal issues, e.g., the apparent inability of local governments to raise sufficient revenues to pay for the costs of development-related infrastructure, the operation and maintenance of infrastructure, and general local services such as police and fire departments.

More and more, local governments are facing revenue constraints imposed by constitutional limitations (e.g., Article XIII A) or statute (e.g., sales tax rates set by the State, limitations on local government development fees). In addition, as Federal and State governments seek to reduce the increase in overall spending, they tend to look first to cuts in grants in aid to local agencies. Examples of this are the Federal consolidations of grant programs into community development block grants, coupled with overall reductions in expenditures, and the possible reductions in local government subventions that may be proposed by Governor Brown to balance the 1981-82 State budget.

Local governments, therefore, will have to continue exploring ways to finance local government services in non-traditional ways (by that, we mean methods of raising funds that may have existed prior to enactment of Proposition 13, but have not been used extensively).

The following should be explored:

Action B.1: Promote organizational restructuring of local services among cities, counties and special districts

Obstacles: Local governments' provision of certain services is sometimes jealously guarded. Often, there is policy or administrative reluctance to consider organizational changes that would alter the basic service delivery philosophies of individual local agencies, even though such changes might result in more efficient or equitable delivery of services. Many city and county elected officials have strong views about special districts, and in some areas have actively worked to reduce the number of special districts in favor of having local services delivered by cities and counties.

Special districts also have been reluctant to consider organizational changes such as district mergers and boundary alterations that might mean more efficient delivery of services.

Rationale for Action: The comments made above are general observations only, and should not be regarded as the views of individual local governments in the Bay Area. The decline of Federal and State support to local governments over the next few years will greatly impair their ability to deliver services. Consequently, local agencies should constantly review whether certain services such as fire protection or park and recreation services could be restructured or consolidated. Such changes should be considered if individual local agencies believe

their ability to deliver such services is greatly constrained, and should be made if, based on careful analysis, reorganization of service delivery would result in more efficient or more equitably delivered services.

Implementation Ideas: Countywide study groups of cities, counties and special districts might be convened at the direction of county boards of supervisors or mayors' conferences, or by local agencies in smaller geographical units. Staffs of local agencies could be asked to develop lists of possible reorganizational changes, and existing agencies such as Local Agency Formation Commissions could be used to examine organizational changes (although some LAFCO officials believe these agencies lack the necessary authority to examine such questions).

Citizen groups such as the League of Women Voters and taxpayers' associations might also be used to suggest alternative service delivery approaches for examination. In whatever manner the ideas for service delivery changes are suggested, it will primarily be the responsibility of local elected officials to ensure that desirable changes can be carried out in a minimally disruptive fashion.

Action B.2: Shift provision of local services to agencies better equipped to levy user charges

Obstacles: This action is a special organization change that might be made as a result of considerations of the type recommended in Action 1. Consequently, successful implementation of this policy idea would depend in large part on the ability of local governments to successfully overcome the obstacles inherent in any reorganization of local services. This is especially true of shifts of service delivery responsibility from general purpose local agencies to special districts with independently elected boards of directors. Central to such questions will be whether the total costs of local services will be changed, or if such reorganizations will simply spread the burden of local activities among more agencies--some with less public visibility (and hence reduced voter awareness of total costs) than cities and counties.

Rationale for Action: As the revenue raising abilities of local governments or their revenues (in real terms) decline, the more difficult it will be to maintain certain basic services such as police and fire protection unless ways are found to shift the responsibility for certain maintenance services to agencies traditionally more reliant on user charges or unless cities and counties make broader use of their ability to finance local government services through user charges.

Implementation Ideas: Local agencies in the East Bay should examine whether storm sewer maintenance and repair might be more efficiently handled by the East Bay Municipal Utility District. Similar examinations might be considered elsewhere in the region if special districts are used for sewage treatment and as such finance their programs through a generally accepted system of user charges.

Action B.3: Promote greater use of fees, and increases in local fees, to recover the costs of providing services

Obstacles: The most difficult problem local governments face in making greater use of their existing powers to raise local revenues through fees is the misunderstanding among local staff, media and citizens about that ability. Many are under the impression that local fees for such things as park and recreation services or development projects are extensively regulated by the constitution or statute.

In fact, local government fees--so long as they do not exceed the reasonable cost of providing the service or regulatory activity for which the fee is levied and so long as such fees are not levied for general revenue purposes--are not "special taxes" within the meaning of Article XIII A of the Constitution, nor is the use of the revenue from such fees defined as a "proceed of taxes" within the meaning of Article XIII B.

Rationale for Action: Local governments can legitimately recover the costs of providing services from the beneficiaries of local government services. The most widespread example of the use of these fees is for development-related activity in the form of exactions such as plan checking fees, environmental impact report fees, processing fees and other fees that are paid by developers in return for the privilege of having developments approved by local agencies. In many cases the fees for such activities have been reviewed by local agencies after enactment of Proposition 13. To the extent that such fees have not been set to reflect all actual costs of providing services, local agencies could properly increase these fees, taking care to calculate service provision costs carefully to meet the statutory test of "reasonableness."

Implementation Ideas: Local governments should regularly and carefully review existing fees of all types. Careful records of the actual costs of providing such services should be kept, and, if costs are more than the revenues generated from the fees levied, the fees should be increased.

Action B.4: Convince the Legislature to alter the division of sales tax revenues between the State and local agencies

Obstacles: The most important obstacle here is the almost insurmountable task of convincing the California Legislature that it should reduce State government operations by an amount equivalent to the revenue shifts that a change in the division of sales tax revenues would entail. It is extremely unlikely the Legislature would entertain such consideration given the revenue projections being made for the current fiscal year and beyond. However, such a change might be discussed in the context of changing economic conditions, so should not immediately be eliminated from consideration.

Rationale for Action: Sales tax revenues have always been important in the fiscal calculus of local jurisdictions. For many cities, sales tax revenues have been growing in importance in developing local revenue estimates and developing long-range plans for local services. Increases in the share of the sales tax (for example from 1% to 1.5% or 2%) would greatly enhance the local revenues of most jurisdictions. Whatever part of the sales tax that is shifted to local governments, however, would be felt dramatically at the State level in the form of reduced general fund revenues (and the resulting impact on State operations), reduced subventions to local agencies, or some combination of both.

Implementation Ideas: Local agencies should promote further examination of shifting shares in the sales tax revenues at the State level and among local government interest groups (such as the League of California Cities and the County Supervisors Association--both of which have been discussing these subjects in recent months). Such consideration should include the feasibility of need-based factors in allocation of sales tax revenues rather than the method of distributing funds based on site of sale.

Action B.5: Promote increases in state taxes such as cigarette and liquor taxes--the so-called "sin taxes"--with increased subventions to local governments

Obstacles: Organized efforts of industry groups (manufacturers or distributors of alcoholic beverages or cigarettes) have often opposed increased taxes on these goods for fear of the effects increased taxation would have on sales. There is little to suggest that modest increases in these taxes would have any dramatic impact on overall consumption--even if that is believed to be a legitimate criterion for evaluation. If increases in these taxes could be applied to most or all types of these consumer items, it would lessen the opposition of certain industries.

Rationale for Action: Increases in these taxes could be used to offset the loss of other revenues at both the State and local level (through increased local government subventions). This would lessen the real impact over time of property tax revenue losses resulting from Proposition 13.

Implementation Ideas: ABAG and its local agencies should urge the California Legislature to enact increased cigarette and alcoholic beverage taxes.

Action B.6: Urge the State Legislature to implement a split assessment roll for residential and non-residential (commercial and industrial) property

Obstacles: The obvious difficulty with this proposal is that it would face opposition, as it has in the past, from the Legislature. Nevertheless, this proposal will continue to be suggested by those concerned with the revenue effects of Proposition 13 on local governments, and therefore should continue to be examined. Business interests might, once the actual effects of Proposition 13 are felt in local communities, become less opposed to creation of this device--which would then permit differential assessment/taxation of residential and non-residential property.

Rationale for Action: The benefits of Proposition 13 are inequitably distributed among property taxpayers because of the differing tenure of ownership. Business property is generally held in ownership longer than residential property, therefore its owners enjoy a greater cumulative tax savings from the annual 2% limitation on the rise of assessed value. Changing the assessment structure would permit a more equitable distribution of benefits of Proposition 13.

Implementation Ideas: ABAG and local agencies should urge the California Legislature to enact split assessment rolls.

Action B.7: Work to repeal the AB 8 deflator for State aid to local governments permanently

Obstacles: As with several other actions, this requires State legislative action that might be difficult to achieve given the current realities of the State budget. With the State's current year budget projected to be running a constitutionally prohibited deficit, the Legislature will be especially reluctant in the remainder of the current session to repeal provisions of State law requiring that, when anticipated revenues in the State general fund are expected to fall short of budgeted expenses, the necessary budget cuts be made first in financial programs assisting local governments. Last year the Legislature postponed effectuation of the deflator for the current year as part of a long-term program for fiscal assistance to local governments.

Rationale for Action: State government should interfere as little as possible with local aid programs once a specified level of assistance is enacted. Local agencies should therefore seek from the Legislature or by constitutional amendment a means of providing a predictable "floor" for the level of local assistance.

Implementation Ideas: ABAG and its member agencies should work with the League of California Cities and the County Supervisors Association to secure passage of a constitutional amendment making revenue sources immune from reduction by the Legislature.

Action B.8: Promote greater use of benefit assessment districts for funding local government capital improvements and services

Obstacles: As with the action listed above on making greater use of fees to increase local government revenues, the most serious obstacle to successful implementation of this action is a general lack of understanding of the law regarding benefit assessment districts.

Rationale for Action: Some local government finance experts have concluded that special assessment financing of public improvements and services has not been used by local agencies to the fullest extent permitted by law. In many instances, both local improvements and services have been financed explicitly by taxation when special benefit assessments could have been used. However, as a general rule, local agencies should not be contemplating use of benefit assessment districts to finance general services or to recapture benefits beyond the costs of providing improvements to benefitted property or individuals.

Implementation Ideas: Local governments should support legislation that would permit benefit assessment districts to be formed to cover maintenance as well as the provision of infrastructure. Legislation could also be introduced to simplify existing law on uses of benefit assessment districts through enactment of single benefit assessment law. Local government education programs for local staff and elected officials could be sponsored.

Action B.9: Promote indexing all State and local taxes to the extent permitted by the Constitution

Obstacles: This action would require legislative approval. Opponents of such legislation in the past have argued that the State and local governments have no business "taxing inflation" and that indexing "leads to" more inflationary pressures.

Rationale: Inflation has eroded the revenue effect of taxes collected on a per unit basis. Gasoline, alcohol and cigarette taxes have fallen behind inflation in revenue generation capability.

Implementation Ideas: Per unit taxes could be indexed through legislation, or taxes could be levied on a percentage basis rather than per unit.

Action B.10: Promote legislation granting general law cities the same revenue raising capabilities as charter cities

Obstacles: This action would require legislative action. The principal argument opponents in the legislature would make is that if local agencies want this additional capability, they can always seek it from their voters through action to obtain charter status.

Rationale: This action would permit greater revenue raising flexibility for general law cities.

Implementation Ideas: Local governments should, through the League of California Cities and the County Supervisors Association, examine the feasibility of legislation to accomplish this action.

Action B.11: Seek adoption of a constitutional amendment allowing a majority vote to approve local revenue issues

Obstacles: Successfully implementing this action would require voter approval.

Rationale for Action: Provisions of Article XIII A of the Constitution enacted by Proposition 13 require a two-thirds vote of electors to approve most revenue measures of local agencies. The provision clearly allows a minority of the population of a community to thwart the will of a majority.

Implementation Ideas: ABAG and local agencies should work with other government interest groups to seek approval of an amendment that would provide majority vote approval for special taxes at the local level and similar provisions for property tax rates and overrides.

HOUSING SUPPLY IDEAS

The option analysis indicates that the East Bay could be a more attractive employment center if it would encourage more housing. The pent up demand for new housing, now being held in check by high interest rates, will eventually lead to further residential development in the Bay Area. Employers will look to see where housing markets are expanding and will likely situate nearby. As indicated in the discussion on options, rental and condominium apartments may become more attractive to those people who cannot afford single-family homes. Therefore, cities will need to consider higher density zoning to accommodate this segment of the market. Map Six indicates locations named in the housing ideas subsection where additional housing should be considered.

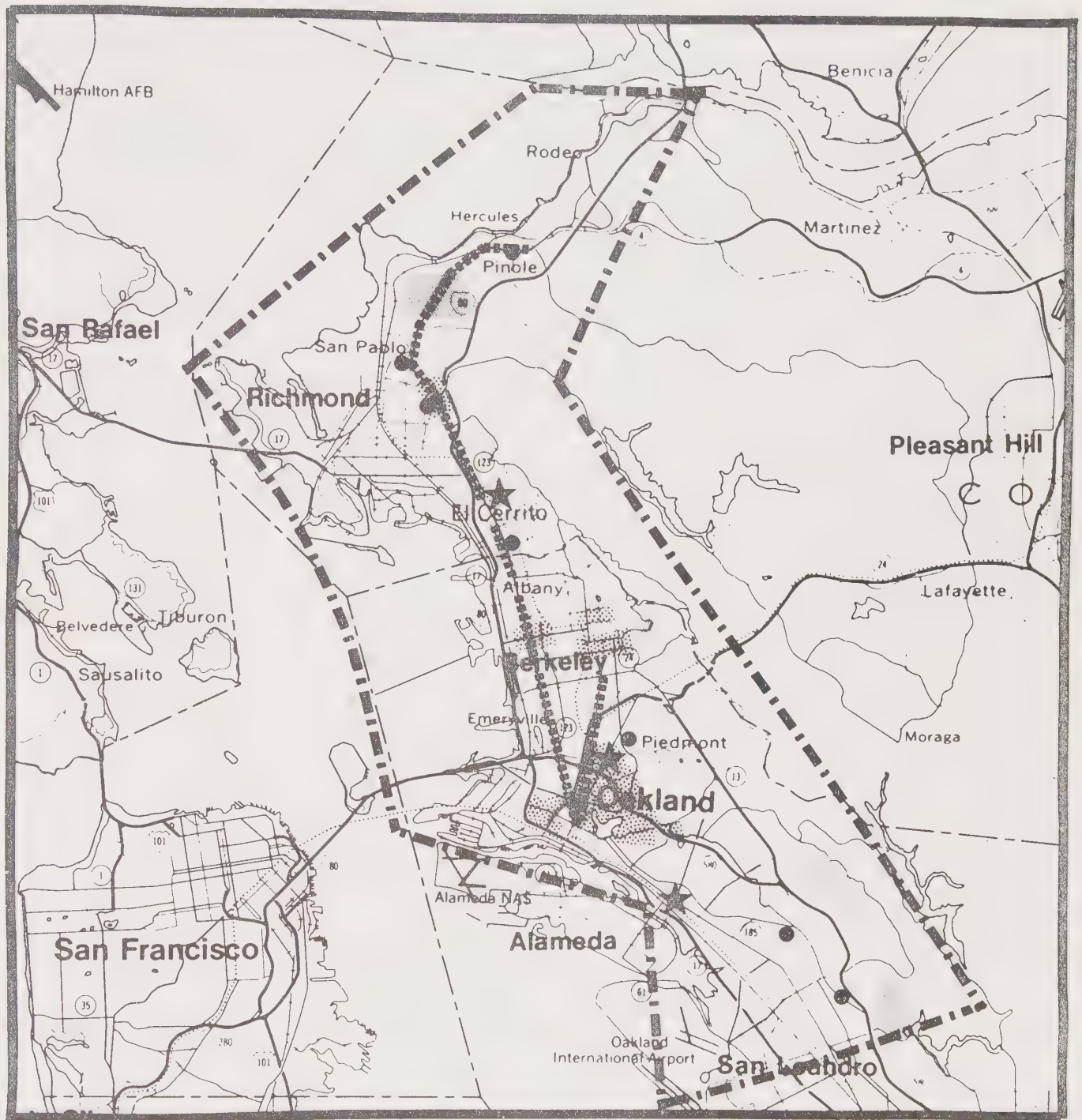
These ideas are presented with the assumption that the economic pressures that are now hurting the entire home building industry will eventually subside. The ideas are also presented with the knowledge that the East Bay communities have been among the most creative in the region in using public financing to stimulate desired new housing. Therefore, the housing ideas concentrate on land use, rather than financial, methods for encouraging new residential development.

Action C.1: Maintain existing zoning of high density residential development where it currently exists

Obstacles: Neighborhood downzonings have occurred with relative frequency in recent years throughout the East Bay. In Oakland, Mountain Village and Rockridge were both reduced in permitted density several years ago. The "Rose Garden" area is currently being considered for such treatment. Berkeley enacted neighborhood preservation measures in the early 1970s and in more recent zoning actions to effectively reduce the intensity of development in residential zones. The City of Albany recently adopted by initiative a provision to reduce densities in various parts of the jurisdiction and expanded requirements for new residential parking.






Rationale for Action: Local policymakers should review the implications of future proposed reductions in housing density within the context of previous policy positions taken by the city. Individually, these past actions may have occurred in response to a variety of unrelated reasons ranging from a realistic evaluation of market potential to preservation of neighborhood character. However, collectively these actions may tend to signal a local sentiment against new residential development throughout the broader community.

Another important factor that local policymakers should consider is that ad hoc decisions to reduce density undermine the concept of regulatory certainty sought the application of their general plans. Certainty is a critical element of any development decision--particularly where large-scale investments must be made, such as for high density residential construction. Furthermore, carefully considered objectives



Map Six

East Bay Study Area

-  A.1 Existing high density residential areas
-  A.2 Large vacant sites
-  A.5 Neighborhood business/commercial centers
-  A.6 Locations/arterials well served by transit
-  Arterials well served by transit

for optimizing local housing diversity are distorted by ad hoc downzoning actions. Such distortions could further aggravate the housing demand problems that such objectives were originally designed to address.

Finally, to ensure future transit service, higher density residential zoning designations should be preserved to the extent possible where they encompass sites close to transit.

When compelling reasons require that particular locations be reduced in density, planning and environmental impact studies should evaluate where the housing lost in the downzoning could be offset through upzoning in other locations in the community.

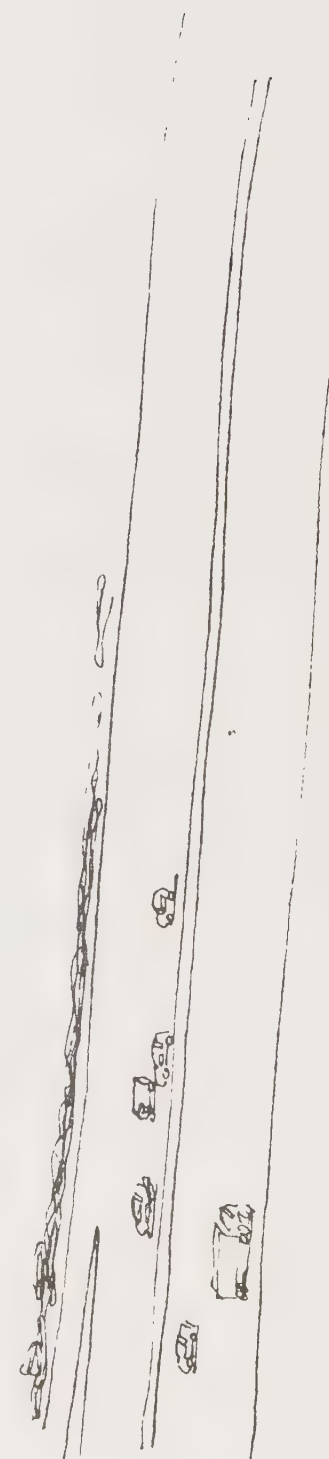
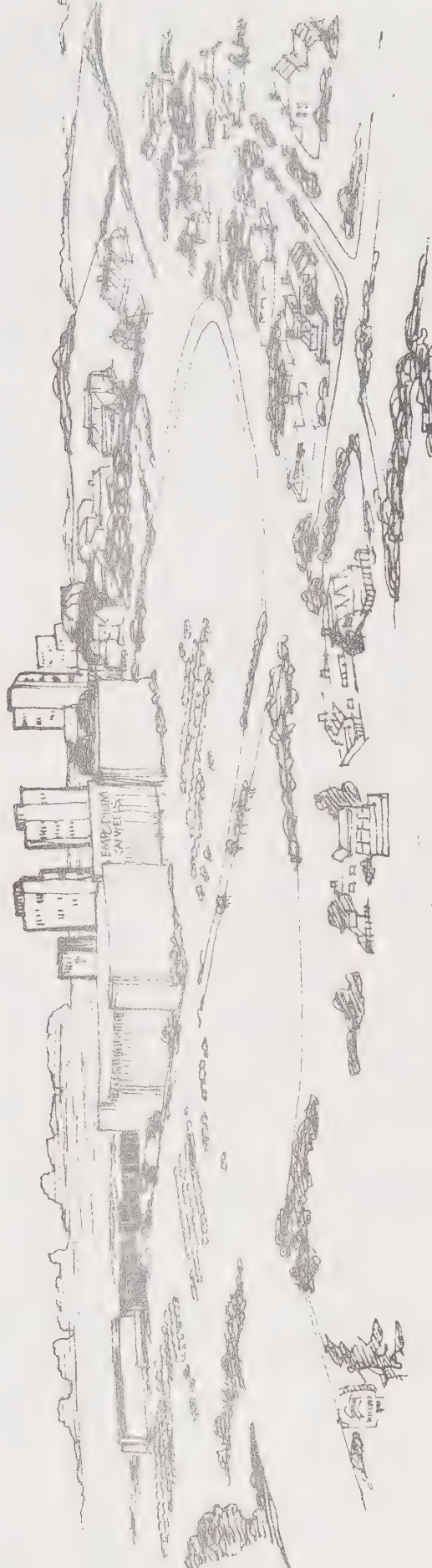
Action C.2: Encourage maximum feasible development of remaining, large vacant sites located within or near existing older urban communities

Obstacles: Opposition to developing remaining large, vacant sites located within or near older communities has been evident in recent years. Neighborhood resistance to various proposals for development of these areas has occurred for a variety of reasons including:

- the general insensitivity of new development design to existing neighborhood character;
- the potential traffic congestion and safety problems associated with proposed large-scale residential development;
- the potential overcrowding or overuse of local community services;
- loss of the "last" remaining open space;
- possible damage of sensitive ecological areas;
- fear that high-density development would result in increased crime and other negative influences.

Rationale for Action: Large, vacant sites located in or near older communities and suitable for development should be evaluated for their potential to accommodate higher density housing. These sites are strategically located to take advantage of existing urban services and to be well-served by the regional transportation network. They are likely to require relatively minimal investment for additional costly capital facilities and community services. Most important of all, these sites are scarce and provide the last big opportunity to achieve significant increases in the housing supply. They provide the opportunity to take advantage of more flexible zoning techniques typically applied through planned unit development provisions. Such zoning techniques greatly facilitate the provision of a variety of densities that would complement rather than conflict with surrounding

A-2. There should be maximum feasible development of remaining large, vacant sites located within or near existing older urban communities



neighborhoods as well as respond to regional housing needs. Large sites also have the potential to provide developers the opportunity to construct in volume, which will aid in spreading costs and offer incentive for building affordable housing.

Locations:

Oakland: Claremont Canyon
Chabot Hills

Caballo Hills - This 680 acre site is the last large vacant area in the City of Oakland. Portions of the site are currently approved for low-density development and are in the initial stages of construction. When debated in the mid-1970s, little consideration was given to its potential for accommodating major regional "infill" housing. Current housing circumstances may warrant a reevaluation of sections of this site that have not yet been developed.

Richmond: Hilltop Tank Farm - This 560 acre site provides an opportunity for a "new town, in town." Current proposals include a mixture of commercial, light industrial and low and middle density residential. The site could also include hi-rise residential close to a regional shopping center.

Implementation Ideas: Jurisdictions should consider preparing specific area plans for each of these large, vacant sites. Such plans offer the opportunity for a community to consider, in greater detail than normally undertaken in a general plan, development for large sites. Once prepared, no environmental impact report (EIR) or negative declaration is required for any residential project proposed within the area covered by the specific plan provided, the development conforms to the plan. (An EIR, however, must be prepared for the specific area plan itself.) The specific area plan should be developed with the participation of city officials, community groups, environmental interests and building industry representatives. State law provides for compensation for costs incurred in this planning effort to come from special fees imposed on persons or developers seeking required development approvals. The specific area planning should include:

- 1) determination of appropriate alternative development schemes that include a mixture of housing densities;
- 2) evaluation of impacts;
- 3) evaluation of capital improvements and methods of funding alternatives.

Jurisdictions should also consider the use of development agreements for these projects. Such agreements seek to provide greater certainty in the approval of development projects by establishing conditions, terms, restrictions or other requirements that could only be changed by mutual agreement of the city council and the developer. Development agreements can also help speed up the permit process thereby improving the financial feasibility of a desired project.

Action C.3: Convert unused industrial and public land to higher density residential use

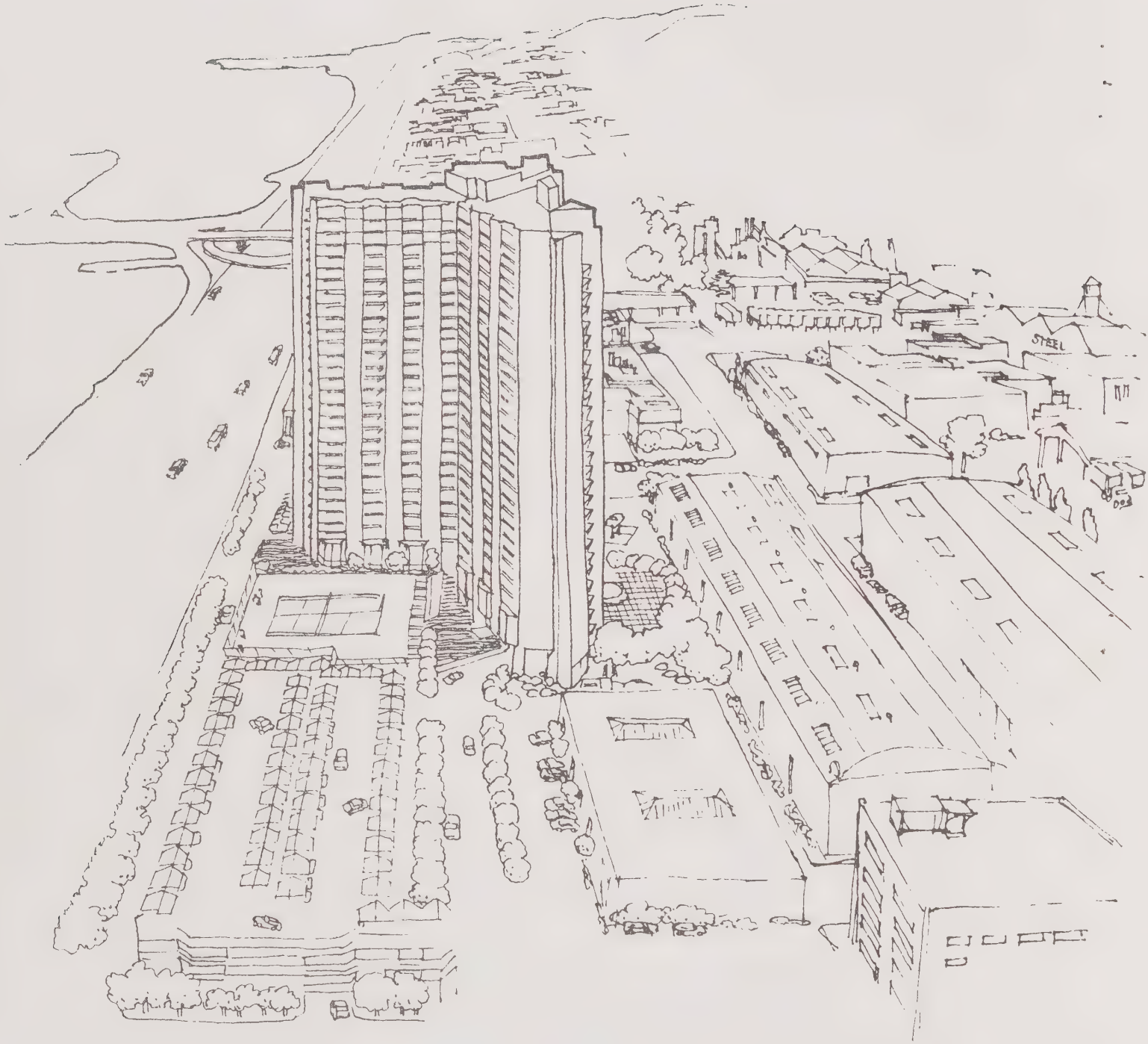
Obstacles: Older East Bay communities have been experiencing a shift from a manufacturing to a service-oriented economy. Many manufacturing and commercial employers have concluded that a declining market, increased operating costs and other factors are strong reasons for not refurbishing or replacing antiquated plants. In some instances, these reasons have led to closing of facilities.

While many abandoned manufacturing facilities are situated on sizable land parcels, some sites are too small for or may not meet the locational requirements of current Bay Area growth industries. These properties are often isolated and mixed among incompatible land uses. Therefore, efforts to reassemble them into large sites may be impractical.

In addition to old, abandoned manufacturing facilities, many public institutions--school districts in particular--own lands that they have no plans to develop in the near future. Due to declining school populations and recent fiscal austerity measures such as Proposition 13, many of these properties may never be developed by these agencies. As a result, these parcels may remain vacant.

Many of these publicly-owned lands may not be suitable for development. However, some may have the potential to accommodate residential uses. Preparing them to realize such potential will, in some instances, require several costly, time-consuming actions, including purchasing, leasing, rezoning and subdividing. They may also face neighborhood resistance due to the change of land use.

Rationale for Action: The conversion of lands containing unused, obsolete manufacturing facilities to residential use represents a unique opportunity for addressing the East Bay's housing problems. As the characteristics of the area's economic base change, so too will its land requirements to support new economic growth. Every effort should be made to ensure that adequate industrial land is available in a form that is usable by growth industries that may potentially locate in the East Bay. However, some sites cannot be upgraded to meet the necessary criteria for industrial revitalization. These sites could potentially support additional residential development.



A-3. Convert unused industrial and public land to higher density residential use

These unused industrial or publicly-owned sites are often ideally located near transportation facilities that can easily absorb increased traffic that would accompany middle to higher density housing. The construction of housing on these properties would return them to local tax rolls, enhance their visual attractiveness, and assist in reducing the current housing shortage.

Residential development of surplus lands has been the subject of considerable discussion by agencies at all levels of government. Much of the land has been in the possession of these agencies for several years and were acquired at low costs relative to current land prices. This land could possibly be sold for development below its current market value, to help produce more affordable housing, and still bring a good return to the selling entity. By reducing their respective inventories of surplus land, financially-pressed public agencies might also be able to reduce outlays for maintaining these sites.

Locations:

Underused and unused industrial land is located in Oakland, Emeryville, Berkeley and Richmond.

Surplus public land has been inventoried by ABAG for the entire Bay Area.

Former California School for the Deaf And Blind site.

Various sites owned by the University of California in Berkeley and Albany.

Implementation Ideas:

- Local economic development and planning staffs should inventory abandoned manufacturing facilities and vacant industrial land. This inventory should be evaluated to determine properties with little potential for re-use for industrial purposes. Those lands identified as having little or no realistic industrial development should be recommended for rezoning to residential uses.
- Specific Area Plans for large converted industrial and unused public lands should be prepared with detailed environmental impact reports to expedite development potential.
- Public agencies owning unused or vacant land should seek to establish a consistent policy for ensuring that the disposition of property will ultimately result in some new residential development.

Action C.4: Moderately increase residential zoning densities, taking into account current neighborhood physical character

Obstacles: Neighborhood resistance to increased densities through infill of vacant lots or conversion and/or adding to existing structures is largely due to concern for preservation of current neighborhood character. The mere mention of "increased densities" often elicits protest based upon notions (factual or not) of large scale development that is totally different than its surroundings. Such protest frequently has resulted in causing costly delays for developers or the abandonment of the project.

The provision of additional parking is another obstacle to be faced when considering density increases through infill, conversions or existing unit expansion. Quite often, lots on which infill apartments or second units could be constructed are too small to accommodate the required off-street parking without radically changing the appearance of their front or side yards (e.g., replace the front garden or lawn with cars).

Rationale for Action: Cities are not developed instantaneously or uniformly. Rather, they are built slowly over time. They are composites of neighborhoods that are unique in character and that vary according to architectural design. These neighborhoods often also vary by street layout, lot sizes, pattern of building design, building heights, yard setbacks, location of parking and other characteristics that reflect changing human values. The design variety of neighborhood characteristics is most notable in the older East Bay jurisdictions such as Oakland and Berkeley and in the older sections of fast growing cities like Pinole and Richmond. Consideration of such factors is an important element of any planning process aimed at moderately increasing densities in these neighborhoods.

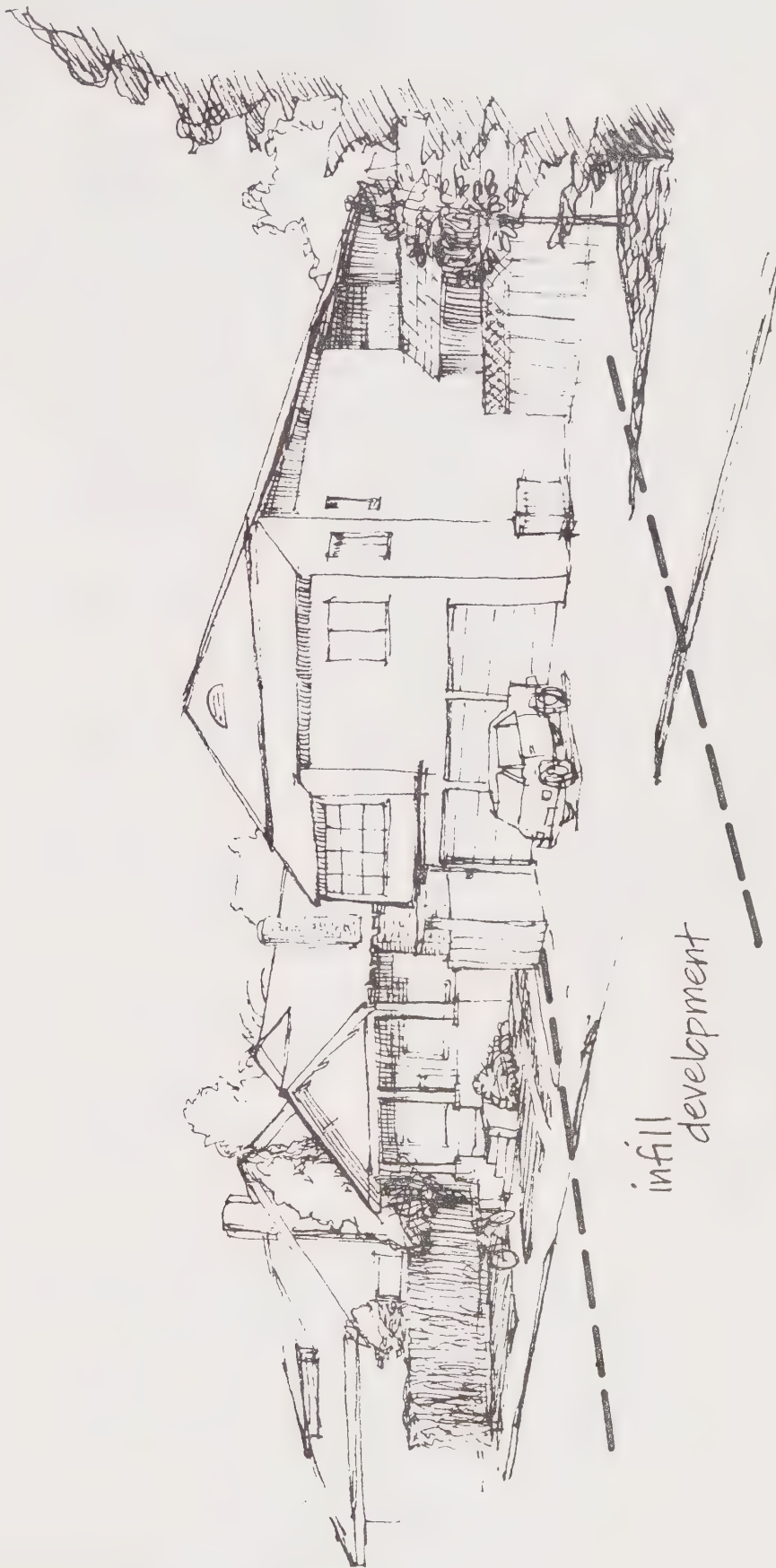
Moderate increases in existing neighborhood residential densities can be achieved by building at greater intensity on vacant infill lots, converting large single-family homes to two or more living units, and in adding new units behind existing residential structures. A well-coordinated strategy that incorporates a sensitive mixture of these techniques could potentially result in a notable increase in neighborhood densities with little discernable changes in the overall physical character. Such a strategy, however, would necessarily have to take into account community physical characteristics and history. The practicability of such an approach is closely related to identifying areas that have common physical characteristics and that can accommodate a sizable quantity of residential units through increased densities.

Locations:

Selective older neighborhoods within Oakland, Berkeley, Richmond and Pinole.

This approach would be particularly appropriate around the Rockridge and North Berkeley BART stations.

A-4. Increase moderately zoning densities taking into account neighborhood physical character



Implementation Ideas:

- Identify the prevailing residential design characteristics (building heights, yard setbacks, parking) associated with neighborhoods having potential for moderately increasing densities.
- Research historical zoning and other local development policies and compare to those now in place for the neighborhoods. Consider eliminating those regulations that would not affect health or safety but would enable moderately increased densities without changing the neighborhood character. For example, additional parking for second units could be reduced or eliminated in cases when there is sufficient on-street parking.
- Determine an appropriate strategy for moderately increasing density that is adjustable to differing neighborhood characteristics. For example, conversion of existing large residential units to smaller units may be more appropriate for one neighborhood than others.

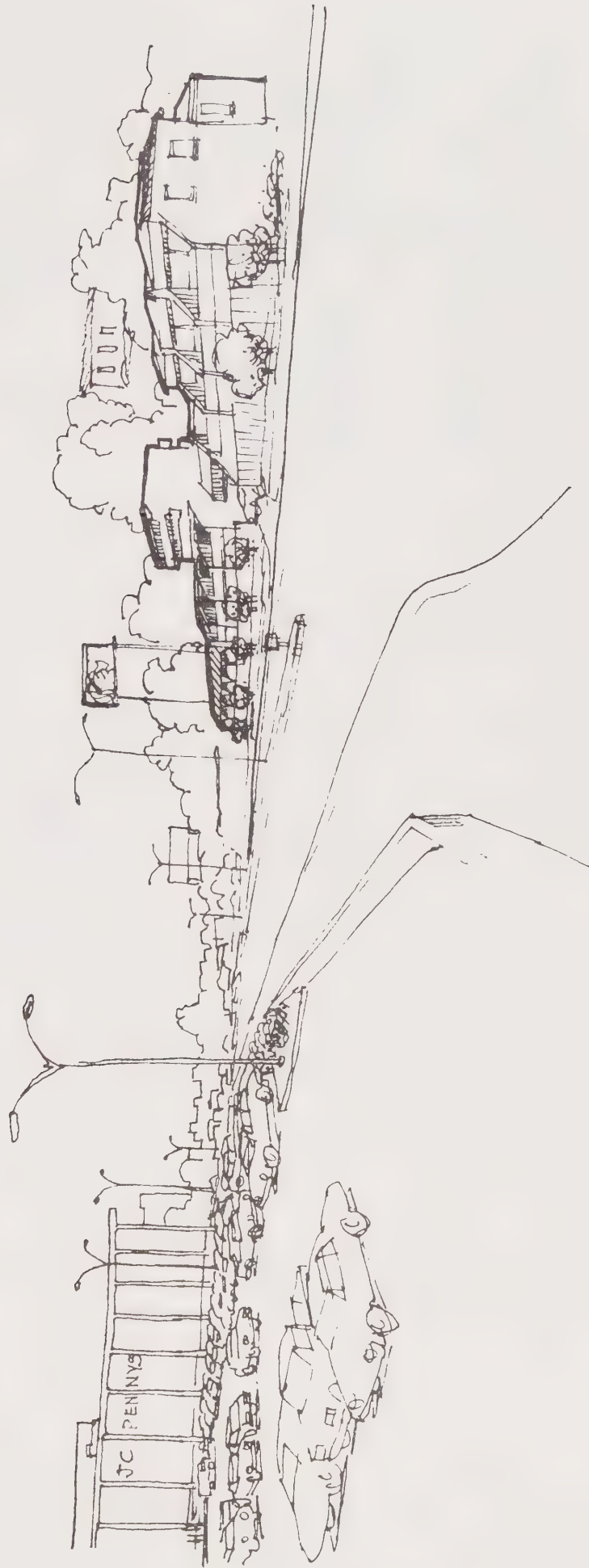
Action C.5: Encourage more housing near neighborhood business and/or commercial centers

Obstacles: Neighborhood shopping centers are often located within existing built-up areas that have few vacant parcels capable of accommodating higher density development are limited. In addition, because of their neighborhood orientation, these centers tend to be skirted by fairly low density residential zoning. Increasing residential densities in these locations may require unpopular actions such as upzoning these locations. Such actions leave open the possibility that some existing single family residences may be displaced by more intense residential development and/or mixed use development.

Rationale for Action: Neighborhood shopping centers can play an important role in efforts to increase residential development in already developed areas. Because of their inherent characteristics as activity generators, shopping areas are likely to have a greater potential than other neighborhood areas for accommodating impacts associated with higher density housing. These areas are generally well-served by transit and are usually bounded by arterials capable of handling higher traffic volumes.

Increasing densities around neighborhood shopping centers might also serve to better insulate nearby single-family residential neighborhoods. Mixed use developments, which combine commercial and residential in the same building, could be located in these areas to provide a smooth transition between the shopping centers and lower-density neighborhoods. Specific categories of uses, or combinations of uses, should be designated to ensure compatible activities occur in these locations.

A-5. Encourage more housing near neighborhood business and/or commercial centers



Locations:

El Cerrito Shopping Center (El Cerrito)
El Portal Shopping Center (San Pablo)
Old Town (Pinole)
Appian Way Shopping Center (Pinole)
Rockridge Shopping Center (Oakland)
Eastmont Shopping Center (Oakland)
Foothill Shopping Center (Oakland)

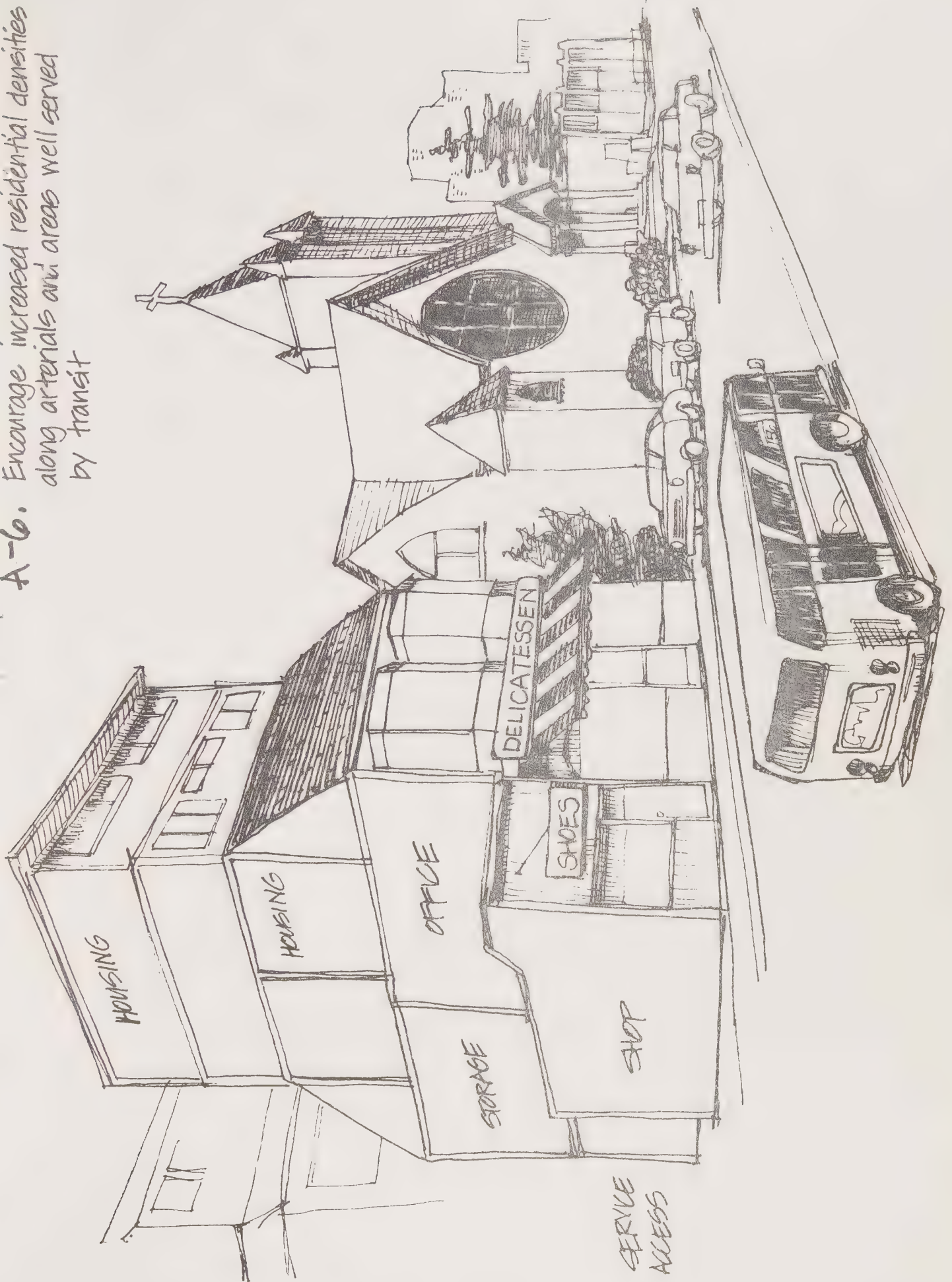
Implementation Ideas:

- Review residential zoning designation for locations immediately adjacent to neighborhood shopping centers and inventory the number of single family residences located in these areas.
- Increase permitted residential densities maximizing the use of vacant land and minimizing the immediate displacement of existing lower density housing.
- Amend general plans to reflect development policies that support increasing densities around neighborhood shopping centers.
- Provide density bonuses and other incentives to attract developers to build around neighborhood shopping areas.
- Provide planned development and mixed-use zoning designations around shopping centers to ensure maximum flexibility for increasing residential densities.

Action C.6: Encourage increased residential densities along arterials and areas well served by transit

Obstacles: Little of the East Bay's remaining vacant land abuts major transportation arterials or is located in areas that are well served by transit. Therefore, potential for increasing residential densities in these areas without displacement of some existing lower density development is limited. In addition, high land costs associated with the locational advantages offered by these areas present a real problem for potential developers interested in providing new housing at affordable prices. Neighborhood community groups also resist efforts to increase density in these areas. Many of these major arterials are bordered by existing viable businesses. Some temporary disruption of these establishments might be unavoidable as higher density housing is developed in these locations.

A-6. Encourage increased residential densities along arterials and areas well served by transit



Rationale for Action: In spite of the potential problems and high costs, regional housing needs warrant increasing residential densities in or near transit. These locations can play a key role in ensuring the continued viability of effective transit service and uninterrupted growth in transit ridership. The policies of many East Bay general plans are supportive of the existing transit investment by zoning many of these areas for multi-unit housing. It is important that these designations are maintained to be supportive of the existing transit investment. Such investment is extremely expensive and it is not likely to be significantly duplicated elsewhere in the region due to growing cost constraints and current demand for fiscal austerity in the provision of public services. Increased densities around transit sites will also play an important part in energy conservation. As shown in the earlier East Bay Study report, areas close to transit need to consider densities at a minimum of 20 units per acre to successfully support express bus and BART service.

Many existing commercial establishments that serve the nearby community are located on these arterials. They could be encouraged to continue providing their services by being included in mixed commercial and residential developments. Allowing for mixed use, residential/commercial buildings could serve to enhance the economic vitality and potential of local businesses areas as well as fulfill a community housing need.

Locations:

Oakland: East 14th Street near Fruitvale BART Station,
Telegraph Avenue from City Center to Berkeley

Berkeley: Adeline and Grove Streets near Ashby BART Station

El Cerrito: San Pablo Avenue between Del Norte and El Cerrito
BART Stations

All Cities: San Pablo Avenue from Pinole through to Oakland

Implementation Ideas:

- Local elected officials, BART, AC Transit, and representatives of community groups and the building industry should create a "development corridor" task force to investigate specific development alternatives around transit stations.
- Appropriate agencies should prepare Specific Area Plans for task force recommended locations. Such plans should detail steps necessary to attract development at these locations including minimum densities, zoning incentives, potential redevelopment actions, and possible financing alternatives. Developments that mix commercial and residential would be particularly effective at these locations.

Action C.7: Encourage increased residential densities by permitting "second unit" development on already developed residential lots

Obstacles: Problems concerning the construction of second units on lots already developed with existing residential structures will likely differ according to whether the unit is attached to the main house or is free-standing. However, either alternative raises a number of issues. For instance, local government officials legitimately express service-related concerns for new units built on lots where the original development scheme had not envisioned subsequent additions. Questions of accessibility for fire and safety reason are necessary considerations. Attached or "add-on" unit construction must be particularly sensitive to design and the quality of building materials to ensure preservation of neighborhood quality as well as protection of existing structures. Second unit development can require the use of additional lot footage either due to expanding the existing homes or to increased parking. Existing zoning in many instances prevents the use of such additional footage and/or prevents the additional use altogether.

Rationale for Action: The construction of second units on existing developed residential lots provides an avenue for attaining measureable increases in new housing. The term "second unit" is defined as "an additional living unit on any lot or parcel within a single-family residential district." A second unit may be established by:

1. The revision of a single-family unit whereby cooking facilities are not shared in common;
2. The conversion of an attic, basement, garage, or other previously uninhabited portion of a single-family unit;
3. The addition of a separate unit onto the existing single-family unit; and
4. The creation of a separate structure on the lot or parcel in addition to the existing single-family unit.

There is increasing evidence that second unit development is already occurring without governmental involvement due to a variety of factors including a shortage of affordable housing and declining household size. While it is still too early to assess the total impact of this phenomenon, it does not appear to be causing significant changes to the appearance and character of existing neighborhoods.



A-7. Encourage increased residential densities by permitting "second unit" development on already developed residential lots in local jurisdictions

Lot sizes differ limiting the potential for adding separate units in some neighborhoods. However, enough residential areas exist to justify serious consideration of second units as a strategy for increasing housing supply. Successful implementation could mean an effective doubling of residential densities in some areas without dramatically altering neighborhood character. It might also mean a potential increase for the overall area's rental housing supply which has been impacted in recent years.

Locations: Most East Bay communities

Implementation Ideas: Each city should undertake second unit development feasibility studies to determine where and how many of such units might be permitted.

Once areas having potential for accommodating second units have been identified, applicable zoning ordinances should be amended to enable the appropriate type of second units.

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